



Professional Ethics Division

Exposure draft:

Proposed revisions related to simultaneous employment or association with an attest client

December 16, 2024

Comments are requested by March 16, 2025

ethics-exposedraft@aicpa.org



Standard-setting

Proposed revisions related to simultaneous employment or association with an attest client

Invitation to comment

December 16, 2024

Are you interested in the ethics of accounting? 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 Professional Ethics Executive Committee's (PEEC's) 2021–2023 Strategy and Work Plan.

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 revised interpretation.

Again, your comments are an important part of the standard-setting process — please take this opportunity to comment. We must receive your response by March 16, 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, CPA
Chair, Professional Ethics Executive Committee



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Explanation of the new definition and new interpretation

The Professional Ethics Executive Committee (PEEC) is exposing for comment a new definition of *simultaneously employed or associated* and a new version of the “Simultaneous Employment or Association With an Attest Client” interpretation (ET sec. 1.275.005).¹ The new interpretation is replacing the current interpretation in its entirety.

Background

1. The “Simultaneous Employment or Association with an Attest Client” interpretation currently prohibits all partners and professional employees of a firm from being employed by or associated with an attest client. There are two specific exceptions to this rule: one for adjunct faculty members of educational institutions and another for members of government audit organizations.
2. In its 2021–2023 Strategy and Work Plan, PEEC sought input on whether additional exceptions should be made to this interpretation. For example, the committee considered whether a partner or professional employee could be simultaneously employed by the U.S. Armed Forces while the firm performs the audit. Commenters generally supported this project, including recommending a principles-based approach, limiting the strictest prohibitions to covered members, and making an exception for those who serve in the military (service members).
3. PEEC formed a task force in November 2021 to determine whether there should be an exception for service members and if other exceptions should be added to the subtopic “Current Employment or Association with an Attest Client” [ET sec. 1.275].

Evaluation

4. After comparing the extant provision within the AICPA Code of Professional Conduct (the code) with current employment laws and regulations, PEEC concluded that an exception should be made for service members, provided certain safeguards are met. PEEC added this exception to the “Temporary Enforcement Policies” (ET sec. 0.600.030) and initiated a project to determine whether other exceptions were appropriate or whether the interpretation should be reevaluated in its entirety.
5. The “Simultaneous Employment or Association with an Attest Client” interpretation has remained unchanged for over 20 years, during which time the work environment has significantly transformed. For example, in the current economy, some individuals hold multiple jobs or supplement their income as independent contractors. In response to such changes, PEEC decided to take a fresh look at the interpretation and concluded that the

¹ All ET sections can be found in AICPA *Professional Standards*.

current ban on simultaneous employment or association might be overly restrictive due to (a) diversity in the significance of threats to independence that exist in the current economy and (b) the fact that independence prohibitions typically apply to covered members or restrict members from holding key positions at the attest client.

6. In evaluating potential changes to the existing interpretation, PEEC reviewed prohibitions from other independence interpretations within the code, such as those related to immediate family members, financial interests, and participation in employee benefit plans as well as those that address stages of employment, such as the consideration of future employment, former employment, and subsequent employment. These prohibitions typically apply to covered members or restrict members from holding key positions at the attest client.
7. Additionally, PEEC aimed to harmonize with other standard-setting organizations. They compared the current interpretation's prohibitions with those from the International Ethics Standards Board for Accountants (IESBA), SEC, PCAOB, U.S. Government Accountability Office (GAO), and U.S. Department of Labor (DOL). The current SEC and PCAOB guidance align with the extant code; IESBA and GAO do not specifically address simultaneous employment. The DOL's prohibition on employment extends to members, not to all professionals. As such, the DOL may allow nonmember professional employees to be employed by the plan or its sponsor.

Outreach and stakeholder engagement

8. To gather feedback and insights, PEEC distributed a survey to more than 500 stakeholders. The survey received a 15 percent response rate, with 77 total responses from members in public practice, members of expert panels and advisory groups, peer reviewers, regulators, attest client representatives, and members of state society ethics committees. Although many respondents belonged to multiple stakeholder groups, more than 75 percent were members in public practice. An overwhelming majority supported revising the interpretation to restrict all covered members from having any simultaneous employment or association with an attest client and to prevent any partner or professional employee from holding a key position rather than prohibiting all simultaneous employment or association. Approximately 10 percent of respondents opposed any changes to the interpretation.
9. PEEC sought additional feedback through roundtable discussions. Participants included members of state society ethics committees, attest client representatives, members in public practice, peer reviewers, and members of AICPA expert panels. These roundtables focused on several key points, including participants' views on employment in a management role, the ability of a member to affect the subject matter of the engagement, partners' perceived influence over the staff, participation in activities considered management responsibilities under the "Management Responsibilities" interpretation (ET sec. 1.295.030), and concerns about the appearance of a lack of independence.

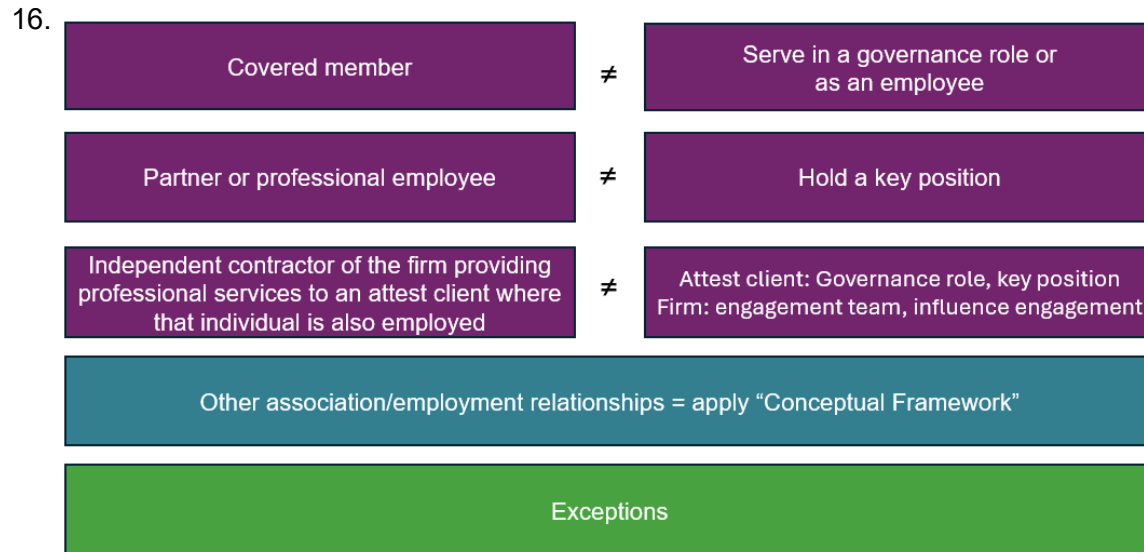
10. Roundtable participants discussed various employment scenarios involving the key points identified in paragraph 9 and how the “Conceptual Framework for Independence” (ET sec. 1.210.010) might be applied. As a result, PEEC concluded that the conceptual framework might be an appropriate mechanism to apply in circumstances where a strict prohibition does not apply. Another key takeaway was the suggestion by roundtable participants that any revisions to the interpretation include (a) factors that might contribute to the significance of a threat to independence and (b) situational examples that might help members consistently apply the conceptual framework.

Proposed new definition

11. In the extant interpretation, paragraph .01’s description of simultaneous employment or association with an attest client includes roles such as director, officer, employee, promoter, underwriter, voting trustee, trustee for any pension or profit-sharing trust of the attest client, or an individual serving in any capacity equivalent to that of a member of management. PEEC proposes removing this language from the interpretation and is proposing a new definition that would be included as ET sec. 0.400.48.
12. The proposed definition of *simultaneously employed or associated* simply refers to a partner or professional employee of the member’s firm serving in a governance role or as an employee of an attest client during the period of professional engagement.
13. The proposed definition also clarifies that serving in a governance role is one where the partner or professional employee meets the definition of *those charged with governance* (ET sec. 0.400.51), which the code defines as individuals responsible for overseeing the strategic direction of the entity and the obligations related to the accountability of the entity, including the financial reporting process. Those charged with governance could also include management personnel, such as executive members of a governance board or an owner-manager.
14. The proposed definition includes individuals who are able to direct the organization, whether employed by the organization or not, including unpaid (volunteer) positions.
15. Lastly, the proposed definition references only the “period of the professional engagement;” it excludes the period covered by the financial statements. Employment or association that occurred before the period of the professional engagement would not be considered simultaneous, as addressed in the “Former Employment or Association With an Attest Client” interpretation (ET sec. 1.277.010).

Proposed new interpretation

Visual overview



Explanation

17. PEEC is proposing a new version of the “Simultaneous Employment or Association With an Attest Client” interpretation that is both rules-based and principles-based. First, the proposed interpretation would prohibit covered members from any simultaneous employment or association with an attest client. In addition, no partner or professional employee in the firm could hold a key position at an attest client. Those in key positions include individuals who have primary responsibility for significant accounting functions that support material components of the financial statements, primary responsibility for the preparation of the financial statements, or the ability to exercise influence over the contents of the financial statements, which would include such roles as CEO, president, CFO, controller, or other similar positions. For other attest engagements, a key position is one in which an individual is primarily responsible for, or able to influence, the subject matter of the attest engagement. PEEC believes these strict prohibitions will address the most significant threats to independence.

18. Except for independent contractors (discussed in paragraphs 23–25) and specifically identified exceptions in the interpretation (discussed in paragraphs 26–28), all other situations involving potential simultaneous employment or association would require the application of the “Conceptual Framework for Independence.”

19. The conceptual framework enables the evaluation of specific facts and circumstances for each situation as well as the determination of the appropriate classification and significance of identified threats. In response to stakeholder requests, the proposed interpretation includes factors to consider during this evaluation. Additionally, it provides examples of

potential safeguards that members could apply to reduce threats to an acceptable level. These factors and safeguards aim to ensure consistency in how members apply the conceptual framework.

Reporting requirement

20. The proposed interpretation also includes a reporting requirement triggered by a professional's intention to accept an attest client's offer of employment. Any considerations made before this point are addressed by the "Considering Employment or Association With an Attest Client" interpretation (ET sec. 1.279.010).
21. PEEC considered whether the partner or professional being offered employment, the attest engagement partner, or the appropriate person in the firm should be responsible for applying the conceptual framework when required. PEEC concluded that the appropriate person identified by the firm (such as someone from the firm's independence office or the lead audit or quality control partner) should conduct the evaluation, as this is consistent with the "Client Affiliates" interpretation (ET sec. 1.224.010) and the "Considering Employment or Association with an Attest Client" interpretation. Paragraph .03 of the proposed interpretation notes that an inadvertent and isolated failure to comply with the notification requirement will not impair independence if the relevant parties timely perform the required procedures and all other provisions in the interpretation are met.
22. The following example illustrates this process: A professional employee of the firm plans to enter a contract to become a social-media influencer for an attest client. The individual informs the appropriate person in the firm about this potential relationship and explains the role's requirements. Because the appropriate person determines the professional employee is not a covered member for this client, and that the professional employee will not be in a key position, they apply the conceptual framework. The appropriate person determines that several threats could be reduced to an acceptable level through the application of safeguards. However, because the job requires the employee to endorse and promote the client's products, the appropriate person concludes that the advocacy threat cannot be reduced to an acceptable level and that, consequently, independence will be impaired if the professional employee accepts the contract.

Independent contractors

23. The current nonauthoritative guidance related to independent contractors prohibits these individuals from being in a key position at the attest client. For other positions it recommends that the member consider certain factors when evaluating threats to independence. Such factors include whether the independent contractor is in the same office as the attest engagement team and the percentage of income the contractor derives from the contractual relationship. PEEC proposes deleting this nonauthoritative guidance and addressing it in paragraphs .08–.09 of the proposed interpretation.

24. Threats arising when an individual is an independent contractor at the firm versus an employee of the firm require a similar but somewhat less restrictive approach. Significant threats to independence may exist when an independent contractor provides professional services to an attest client and is employed at that same attest client. PEEC identifies significant threats in relationships in which the independent contractor is in any of the following roles:

- Key position at the attest client
- Governance role at the attest client
- Attest engagement team member
- Individual in a position to influence the attest engagement

25. In all other instances, the appropriate person in the firm should apply the conceptual framework. This would include situations where the independent contractor provides more than ten hours of nonattest services to the attest client.

- Consider this example: A firm contracts an individual to provide tax preparation services to certain clients, including some of the firm's attest clients. As such, the independent contractor is not in a position to influence the attest engagement and is not on the attest engagement team. The independent contractor will provide tax preparation services to an audit client that also employs him as a part-time member of its ski patrol team. In this situation, the proposal requires the appropriate person at the firm to evaluate potential threats to independence and determine whether the identified threats are at an acceptable level. The firm concludes that self-review, management participation, and self-interest threats are at an acceptable level because the contractor's
 - role at the attest client will be part-time and limited to ski-patrol duties,
 - duties will not affect the subject matter of the engagement or involve the performance of any management responsibilities, and
 - expected compensation from serving on the ski patrol will be clearly immaterial to his net worth.

Exceptions

26. Paragraph .12 of the proposed interpretation provides the exception PEEC originally adopted through a temporary enforcement policy for individuals employed by the armed services as long as the partner or professional employee does not hold any of the following roles:

- a. Key position with attest client
 - b. Member of the attest engagement team
 - c. Individual in a position to influence the attest engagement
27. PEEC also expanded the scope of the exception to include conflicts with other relevant employment laws or regulations at the federal, state, and local levels, beyond just those affecting individuals employed in the armed services under USERRA (the Uniformed Services Employment and Reemployment Rights Act).
28. Although PEEC retained the exceptions related to adjunct faculty and government audit organizations from the extant interpretation (paragraphs .10–.11 of the proposed interpretation), PEEC modified the prohibitions for adjunct faculty to include those serving in a governance role and in the activities noted in *a.–c.* of paragraph 26.

Consistency

29. PEEC considered whether its revised positions on simultaneous employment or association are consistent with independence provisions in areas of the code related to the following:
- Staff augmentation arrangements
 - Nonattest services
 - Management responsibilities
 - Affiliates

Staff augmentation arrangements

30. The threats created when an attest client engages the firm to provide staff to the client are inherently greater than those created when a single individual is employed or associated with an attest client (see the “Staff Augmentation Arrangements” interpretation ET sec. 1.275.007). In staff augmentation, the firm provides human resource capital as a nonattest service to its clients. Fees owed to the firm typically will vary based on the number of loaned professionals, the level of those professionals, the nature of the services, and length of the engagement. Although a firm normally oversees the activities of its personnel as they deliver professional services, in staff augmentation the client agrees to appoint an appropriate person to fill that role. Due to the enhanced threats a firm’s staff augmentation arrangement creates, such arrangements generally can be made only in limited, nonrecurring circumstances.

31. When an individual in a firm is employed by an attest client, the arrangement (which may be formal or informal) is solely between the individual and the client. Client supervision of the employee may not be evident to others. Further, given the proscriptions and safeguards described in the proposed interpretation, the impact of an individual's employment is likely to be less than in a staff augmentation arrangement.
32. These differing levels of threats support distinct proscriptions and safeguards, which are addressed in the proposed interpretation, as follows: (a) strict rules prohibiting covered members from all employment or association, and all partners and professionals from holding a key position, with an attest client; (b) limited roles and activities of independent contractors; (c) a mandatory notification requirement; and (d) application of the conceptual framework by an appropriate person in the firm for all other situations not specifically addressed by the exceptions.

Nonattest services

33. Similar to staff augmentation arrangements, threats are greater when a firm has a contractual relationship with an attest client to provide nonattest services compared to the threats arising from a single individual's employment or association with an attest client (see the "Nonattest Services" subtopic [ET sec. 1.295]). For example, the level of influence exerted by the firm in its relationship with the attest client is greater than that of an individual.
34. To ensure firms appropriately address threats to independence in employment situations, the proposed interpretation includes the performance of prohibited nonattest services as a factor to consider in applying the conceptual framework.

Management responsibilities

35. A strict prohibition on activities described in the "Management Responsibilities" interpretation does not balance the level of threats that could arise in various situations. Identifying these matters as factors to consider in applying the conceptual framework is more appropriate.
36. Consider the following example: A professional employee of a firm (not a covered member) is also a line manager for a retail attest client, responsible for counting inventory, handling point-of-sale transactions, and hiring employees for that store location. However, that store is one of more than a thousand locations, and its operations are clearly immaterial to the financial statements. In context, PEEC believes that a reasonable and informed third-party would conclude that this employment relationship does not create significant self-review or management participation threats to independence.

Affiliates

37. Extant guidance requires members to apply the "Simultaneous Employment or Association With an Attest Client" interpretation to affiliates of financial statement attest clients. PEEC

considered the level of threats associated with these circumstances and examined the other exceptions currently included in the “Client Affiliates” interpretation.

38. For example, for entities described under items (c)–(l) of the definition of *affiliate* (ET sec. 0.400.02), the interpretation allows prohibited employment situations involving family members and subsequent employment by the member in certain instances. In these cases, application of the conceptual framework is not required. Other exceptions for prohibited nonattest services, lease arrangements, and staff augmentation arrangements require the member to apply the conceptual framework.
39. A member considering simultaneous employment or association with an affiliate (as defined under items (c)–(l) of the *affiliate* definition) of a financial statement attest client should not be permitted to accept such position unless that member first applies the conceptual framework and determines that threats to independence are at an acceptable level. If threats are not at an acceptable level, the member should decline such employment or association.

Conforming changes

40. This exposure draft outlines necessary changes to ensure consistency across the code. Those changes are as follows:
 - 1.210.010 “Conceptual Framework for Independence” paragraph .15(a) — modifies reference from “officer or director” to “individual in a key position”; aligns with new definition and interpretation paragraph
 - 1.224.010 “Client Affiliates” paragraph .02(h) — addresses the application of the affiliate rules to simultaneous employment or association scenarios
 - 1.279.010 “Considering Employment or Association With an Attest Client” paragraphs .03–.04 — alerts the member to consider the new interpretation when intending to accept an offer of employment or association
 - 1.280.010 “Member of a Social Club” paragraph .02 — removes specific guidance and refers the reader to the new interpretation
41. Additionally, PEEC is currently reviewing the “Alternative Practice Structures” interpretation (ET sec. 1.810.050). Revisions for that interpretation are not included here, as they will be addressed in the upcoming exposure draft addressing private equity interests. PEEC will continue to monitor both projects and coordinate any necessary revisions.

Conclusion

42. The proposed new definition and interpretation strike an appropriate balance by continuing to prohibit all simultaneous employment and association by covered members and disallowing all key positions, while allowing firms to evaluate threats to independence using the conceptual framework in other instances. Including factors to consider when applying the conceptual framework will help ensure compliance with the independence requirements and enhance consistency in application of the framework.

Effective date

43. PEEC recommends the proposal be effective one year after adoption; early adoption would be permitted so long as the member implements the new interpretation in its entirety.

Request for comments

44. PEEC welcomes comments on all aspects of the proposed revisions to the code. In addition, PEEC seeks feedback on the following specific aspects:
- a. Do you agree that covered members should be prohibited from being simultaneously employed or associated with an attest client? If not, please explain.
 - b. Do you agree all partners and professional employees should be restricted from holding a key position or serving in a governance role at an attest client? If not, please explain.
 - c. Do you agree with the new definition of *simultaneously employed or associated*? If not, please explain your rationale and suggest possible adjustments.
 - d. Do you agree that a partner or professional employee of a firm should report to the appropriate person at the firm the intention to accept an offer to become simultaneously employed or associated with an attest client?
 - e. Paragraph .03 of the proposed interpretation provides for an inadvertent breach related to the reporting requirement. Do you agree with this inclusion?
 - f. Paragraph .04 of the proposed interpretation provides examples of how an individual might assess facts and circumstances when evaluating threats. Do you find these examples helpful? Are there any you would suggest be added or deleted?
 - g. Paragraphs .04–.06 of the proposed interpretation outline factors to consider when assessing threats and potential safeguards. Are these factors appropriate? Are there any factors to consider that are not addressed?
 - h. Do you believe that the conceptual framework can appropriately address the threats

- created by a partner or professional employee (who is not also simultaneously employed or associated with the attest client in a key position) carrying out activities considered to be management responsibilities as described in the “Management Responsibilities” interpretation (ET sec. 1.295.030)? If not, please explain.
- i.* Do you believe the adoption of the proposed interpretation would create inconsistency with the “Staff Augmentation Arrangements” interpretation (ET sec. 1.295.007)? If so, please explain.
 - j.* Do you agree with the proposed guidance for independent contractors? If not, please explain.
 - k.* PEEC initially charged the task force with determining whether an exception should exist for individuals employed by the armed services. The proposed interpretation extends this exception to include conflicts with other relevant employment laws or regulations at the federal, state, and local levels. Do you agree that the exceptions presented in the exposure draft are appropriate? If not, please explain.
 - l.* Are there any issues unaddressed by the proposed definition and interpretation that should be addressed?

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 "simultaneously employed or associated" (ET sec. 0.400.48)

0.400 Definitions

.48 Simultaneously employed or associated. When a *partner* or professional employee of the *member's firm* serves in a governance role or as an employee of an *attest client* during the *period of the professional engagement*. This includes contractual or volunteer positions at the *attest client*.

A governance role is a role in which the partner or professional employee meets the definition of *those charged with governance*.

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](#))

Because the new interpretation is replacing the extant interpretation in its entirety, the proposal is not marked for changes.

Proposed new interpretation "Simultaneous Employment or Association With an Attest Client" (ET sec. 1.275.005)

- .01 Except as noted in paragraphs .10–.12, the familiarity, management participation, advocacy, self-interest, or self-review *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* when
- a. a *covered member* is *simultaneously employed or associated* with the *attest client*; or
 - b. a *partner* or professional employee who is not a *covered member* is *simultaneously employed or associated* in a *key position* with the *attest client*.
- .02 When a *partner* or professional employee intends to accept an offer to become *simultaneously employed or associated* with an *attest client*
- a. that person should promptly report the offer to an appropriate person in the *firm*; and
 - b. the appropriate person should apply the "Conceptual Framework for Independence" interpretation [1.210.010], to evaluate whether the familiarity, management participation, advocacy, self-interest, and self-review *threats* are at an *acceptable level*.
- .03 An inadvertent and isolated failure to apply items (a)–(b) of paragraph .02 will not *impair independence* if the relevant parties perform the required procedures promptly upon discovery of the failure to do so and meet all other provisions of this *interpretation*.

- .04 Examples of factors to consider when evaluating whether *threats* are at an *acceptable level* include the following:
- a. The individual's position and role at the *attest client*. For example, a role with high visibility or responsibility would likely increase *threats*.
 - b. The individual's position and role at the *firm*. For example, an individual who is a member of the *firm's* management or otherwise in a highly visible position in the firm tends to create greater *threats* than a lower-level employee.
 - c. The level of assurance of the *attest engagement*. For example, employment relationships with an audit *client* tend to create greater *threats* than in relation to other *attest engagements*.
 - d. The nature of, and magnitude of the impact of, the activity to be performed, such as the following:
 - i. Performing activities the *member* is prohibited from performing under an *interpretation* of the "Nonattest Services" subtopic [1.295].
 - ii. Performing activities that affect the subject matter of the *attest engagement*, such as the *attest client's financial statements*.
 - iii. Performing activities that affect the *client's* internal controls over financial reporting.
 - iv. Performing management responsibilities.
 - v. Performing activities involving marketing, influencing, or advertising that could create advocacy *threats* by promoting an *attest client's* interests or positions.
 - e. The size and structure of the *attest client*. For example, simultaneous employment or association with a very small *attest client* tends to create greater *threats* than simultaneous employment or association with a larger and more complex *attest client*.
 - f. The duration of simultaneous employment or association. For example, a full-time or permanent position tends to create greater *threats* than a position that is part-time or temporary.
 - g. The value of the compensation to be paid to the *member*, including any

fringe benefits. For example, a value that is material to the *member's* net worth tends to create greater *threats*.

- .05 If *threats* are not at an *acceptable level*, *safeguards* should be applied to eliminate or reduce the *threats* to an *acceptable level*. Application of more than one *safeguard* may be necessary. If *threats* cannot be eliminated or reduced to an *acceptable level*, *independence* would be *impaired*. [Prior reference: paragraph .02C of ET section 101]
- .06 Examples of actions that might be *safeguards* include the following:
- a. An appropriate reviewer who has not provided services to the *attest client* reviews the attest work performed.
 - b. The individual's position at the *attest client* is sufficiently modified that *threats to independence* are reduced to an *acceptable level*.
- .07 Communication with *those charged with governance* regarding evaluation of the *threats to independence* is not by itself a sufficient *safeguard*; however, it may be considered a *safeguard* in conjunction with other *safeguards*, such as those noted in paragraph .06.

Independent Contractors

- .08 When an employee of an *attest client* is engaged as an independent contractor by the *firm* to perform *professional services* for the *attest client*, the familiarity, management participation, advocacy, self-interest, or self-review *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 that same employee is any one of the following:
- a. A member of the *attest engagement team* for the same *attest client*.
 - b. An individual in a position to influence the *attest engagement* for the same *attest client*.
 - c. In a *key position* at the same *attest client*.
 - d. Associated with the same *attest client* in a role held by *those charged with governance*.

- .09 An appropriate person in the firm should apply the Conceptual Framework for Independence [1.210.010] when an independent contractor of a *firm* provides professional services to an *attest client* and is not in one of the roles identified in paragraph .08 (a)–(d). When applying the conceptual framework, the appropriate person should consider the information in paragraphs .04–.07.

Exceptions

- .10 *Threats* will be at an *acceptable level* and *independence* will not be *impaired* when a *partner* or professional employee of the *member's firm* serves as an adjunct faculty member of an educational institution that is an *attest client* of the *firm* and the *partner* or professional employee meets all the following *safeguards*:
- a. Is not in a *key position* or in a role held by *those charged with governance* at the educational institution.
 - b. Is not a member of the *attest engagement team*.
 - c. Is not an *individual in a position to influence the attest engagement*.
- .11 *Threats* will be at an *acceptable level* and *independence* will not be *impaired* when a *member* in a government audit organization performs an *attest engagement* with respect to the government entity and the head of the government audit organization meets at least one of the following criteria:
- a. Is directly elected by voters of the government entity with respect to which *attest engagements* are performed.
 - b. Is appointed by a legislative body and is subject to removal by a legislative body.
 - c. Is appointed by someone other than the legislative body, as long as the appointment is confirmed by the legislative body and removal is subject to oversight or approval by the legislative body.

- .12 When a *partner* or professional employee of the *member's firm* is employed by the *attest client* and compliance with a relevant employment law or regulation at the federal, state, or local level would conflict with this *interpretation*, *threats* will be at an *acceptable level* and *independence* will not be *impaired* so long as the *partner* or professional employee meets all the following *safeguards*:
- a. Is not in a *key position* or in a role held by *those charged with governance* at the *attest client*.
 - b. Is not a member of the *attest engagement team*.
 - c. Is not an *individual in a position to influence the attest engagement*

Other considerations

- .13 Refer to the "Client Affiliates" interpretation [1.224.010] under the "Independence Rule" [1.200.001] for additional guidance on simultaneous employment or association with certain *affiliates* of a *financial statement attest client*.
- .14 Upon termination of employment or association with the *attest client*, the *partner* or professional employee should comply with the requirements of the "Former Employment or Association With an Attest Client" interpretation [1.277.010] of the "Independence Rule" [1.200.001].
- .15 *Members* that are *simultaneously employed or associated* with an *attest client* should consider their obligations as a *member in business* under part 2 of the code.

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

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1.210.010 "Conceptual Framework for Independence"

[Paragraphs .01–.14 are unchanged.]

- .15 Management participation threat. The *threat* that a *member* will take on the role of *attest client* management or otherwise assume management responsibilities for an *attest client*. Examples of management participation threats include the following:
- a. A *member* serves ***in a key position at*** ~~as an officer or a director of the *attest client*~~. [1.275.005]
 - b. A *member* accepts responsibility for designing, implementing, or maintaining internal controls for the *attest client*. [1.295.030]
 - c. A *member* hires, supervises, or terminates the *attest client's* employees. [1.295.135]

[Paragraphs .16–.23 are unchanged.]

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

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](#))

1.224.010 "Client Affiliates"

.01 *Financial interests* in, and other relationships with, *affiliates* of a *financial statement attest client* may create *threats* to a *member's* compliance with the "Independence Rule" [1.200.001].

.02 When a *client* is a *financial statement attest client*, *members* should apply the "Independence Rule" [1.200.001] and related *interpretations* applicable to the *financial statement attest client* to their *affiliates*, except in the following situations

[Subparagraphs a.–g. are unchanged.]

h. A member may enter into a relationship where they become simultaneously employed or associated with entities described under items (c)–(l) of the definition of affiliate during the period of the professional engagement. Prior to entering into the relationship, the member should use the "Conceptual Framework for Independence" to evaluate whether any threats created by the relationship are at an acceptable level. If the member concludes that one or more threats are not at an acceptable level, the member should apply safeguards to eliminate the threats or reduce them to an acceptable level. If safeguards are not available or cannot be applied to eliminate or reduce the threats to an acceptable level, the member should not enter into the relationship.

[Paragraphs .03–.14 are unchanged.]

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

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](#))

1.279.010 "Considering Employment or Association With an Attest Client"

- .01 This interpretation applies to a member of the *attest engagement team* or an *individual in a position to influence the attest engagement* (individual) who intends to seek or discuss potential employment or association with an *attest client* or is in receipt of a specific offer of employment from an *attest client*.
- .02 This interpretation applies to a member of the *attest engagement team* or an *individual in a position to influence the attest engagement* (individual) who intends to seek or discuss potential employment or association with an *attest client* or is in receipt of a specific offer of employment from an *attest client*.

The undue influence and self-interest *threats* to compliance with the "Independence Rule" [1.200.001] would be at an *acceptable level* and *independence* would not be *impaired* if all of the following *safeguards* are met:

- a. The individual promptly reports such consideration or offer to an appropriate person in the *firm*.
- b. The individual immediately ceases participation in the engagement and does not provide any services to the *attest client* until the employment offer is rejected or employment is no longer sought.
- c. If a *covered member* becomes aware that an individual is considering employment or association with an *attest client*, the *covered member* should notify an appropriate person in the *firm*.
- d. The appropriate person in the *firm* should consider whether, based on the nature of the engagement and the individual involved, the *firm* should perform additional procedures to provide reasonable assurance that any work that the individual performed for the *attest client* was performed in compliance with the "Integrity and Objectivity Rule" [1.100.001].

- .03** *If the individual intends to accept an offer of employment or otherwise become associated with the attest client, see the “Simultaneous Employment or Association with an Attest Client” interpretation [1.275.005] of the “Independence Rule” [1.200.001] for additional requirements.*
- .034** If the individual accepts an offer of employment or otherwise becomes associated with the *attest client* in a *key position* **and is not subject to the “Simultaneous Employment or Association with an Attest Client” interpretation [1.275.005]**, see the “Subsequent Employment or Association With an Attest Client” interpretation [1.279.020] of the “Independence Rule” [1.200.001] for additional requirements. [Prior reference: paragraph .04 of ET section 101]

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

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1.280.010 "Member of a Social Club"

- .01 If a *covered member* belongs to a social club (for example, a country club, tennis club) that is an *attest client* and is required to acquire a pro rata share of the club's equity or debt securities, then management participation, self-review, and self-interest *threats* to the *covered member's* compliance with the "Independence Rule" [1.200.001] may exist. *Threats* would be at an *acceptable level* if the club membership is essentially a social matter, because such equity or debt ownership would not be considered to be a *direct financial interest*. Accordingly, *independence* would not be *impaired*.
- .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* if a *partner* or professional employee is simultaneously employed or associated with the *attest client's* social club as described in the "Simultaneous Employment or Association With an Attest Client" interpretation [1.275.005] of the "Independence Rule." Accordingly, *independence* would be *impaired*. [Prior reference: paragraphs .033-.034 of ET section 191]~~ ***Refer to the "Simultaneous Employment or Association With an Attest Client" interpretation [1.275.005] for guidance on relationships that could impair independence.***

Acknowledgments

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