

Ethics Division Network Firm Implementation Guidance

Paragraph .04 of the [Networks and Network Firms](#) interpretation (AICPA, *Professional Standards*, ET 1.220.010) requires a network firm to be independent of financial statement audit and review clients of the other network firms if the use of the audit or review report for the client is not restricted as defined by professional standards. Accordingly, before entering into an engagement or arrangement to perform audit or review services, a member who practices in a network firm should determine whether other firms in the network (or their personnel) have a prohibited relationship (i.e., a relationship that would impair independence under the AICPA Rules of Professional Conduct) with a prospective or existing client.

When making inquiries of other network firms, members should be careful to abide by applicable antitrust law and avoid sharing information that may be deemed to be competitively sensitive (or is otherwise confidential client data). To evaluate independence, the member should endeavor to obtain as much information as is reasonably possible from the prospective or existing audit or review client by asking, for example, whether any of the network firms are its professional service providers, investors, lenders, directors, or otherwise have relationships that may impair independence.

The member should determine that he or she has obtained the necessary information to make a determination that the firm is independent prior to accepting the audit or review engagement. To the extent that the member must inquire of other network firms to ascertain the firm's independence, that inquiry should be limited to asking the other network firms whether they had potentially prohibited relationships with or provided potentially prohibited non-audit services to the prospective or existing client during the relevant time period and should not entail communications about any other entity's bid(s), bidding strategy, capacity to bid, pricing, or other terms of competition.