



# **AICPA and SEC Independence Rule Comparison**



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The following comparison highlights (from left to right): the AICPA rules as updated through January 27, 2005 (“AICPA Rule”), corresponding rules of the Securities and Exchange Commission (“SEC Rule”), and a description of how the rules compare, “Comparison”. Wherever the term “client” is used, it signifies an attest client—that is, a client with respect to which independence is required under AICPA standards or SEC regulations (as appropriate). The following comparison was updated on November 2, 2009 to reflect the revised cross references to the Financial Accounting Standards Board *Accounting Standards Codification*.

*Note: The following comparison table does not include the following AICPA Independence Interpretations of Rule 101, as there are no specific corresponding SEC rules:*

- **Interpretation 101-4** – *Honorary directorships and trusteeships of not-for-profit organization.*
- **Interpretation 101-6** – *The effect of actual or threatened litigation on independence*
- **Interpretation 101-10** – *The effect on independence of relationships with entities included in the governmental financial Relationships.*
- **Interpretation 101-11** – *Modified application of Rule 101 for certain engagements to issue restricted-use reports under the Statements on Standards for Attestation Engagements.*
- **Interpretation 101-14** – *The effect of alternative practice structures on the applicability of independence rules.*



**Covered Member (AICPA)/Covered Person (SEC)**

<b>AICPA Rule</b>	<b>SEC Rule</b>	<b>Comparison</b>
<p>A Covered member is: The <b>Attest Engagement Team</b>, including those who perform concurring and second partner reviews;</p> <p><b>Individuals who are in a position to Influence the Attest Engagement:</b></p> <ul style="list-style-type: none"> <li>○ Evaluate performance or recommend compensation of engagement partner;</li> <li>○ Directly supervise engagement partner and all successively senior levels through the firm’s chief executive</li> <li>○ Consult with the engagement team during the engagement on technical or industry specific issues, transactions or events;</li> <li>○ Provide quality control or other oversight of the engagement, including internal monitoring.</li> </ul>	<p>A Covered Person is: The <b>Audit Engagement Team</b>;</p> <p>The <b>Chain of Command</b>; or persons who:</p> <ul style="list-style-type: none"> <li>○ Supervise or have direct management responsibility for the audit, including at all successively senior levels through the firm’s chief executive;</li> <li>○ Evaluate performance or recommend compensation of the audit engagement partner; or</li> <li>○ Provide quality control or other oversight of the audit</li> </ul>	<p>The rules are consistent, however, under the SEC rule, individuals who consult with the attest engagement team on technical or industry related matters are considered participants on the engagement team. Under AICPA rules, consultants are considered to be in a position to influence the engagement, but are not deemed to be engagement team participants.</p>



**Covered Member (AICPA)/Covered Person (SEC), cont.**

<b>AICPA Rule</b>	<b>SEC Rule</b>	<b>Comparison</b>
<p>Partners or Managers who provide 10 or more hours of <b>non-attest services</b> to the client; <sup>1</sup></p> <p>Other partners <sup>2</sup> in the office in which the lead attest engagement partner primarily practices in connection with the attest engagement;</p> <p>The firm; and</p> <p>Entities controlled by any of the above individuals or entities.</p>	<p>Partners or Managers who provide 10 or more hours of <b>non-audit services</b> to the client; <sup>3</sup> and</p> <p>Other partners (or equivalent) from an "office" of the firm in which the lead audit engagement partner primarily practices in connection with the audit.</p>	<p>SEC rules refer to restrictions pertaining to the accounting firm in the rules, rather than include the firm as a "covered person".</p>

<sup>1</sup> For the period beginning on the date such services are provided and ending on the date the accounting firm signs the report on the financial statements for the fiscal year during which those services are provided, or who expects to provide ten or more hours of non-audit services to the audit client on a recurring basis.

<sup>2</sup> A partner is a proprietor, shareholder, equity or non-equity partner or any individual who assumes the risks and benefits of firm ownership or who is otherwise held out by the firm to be the equivalent of any of the aforementioned.

<sup>3</sup> For the period beginning on the date such services are provided and ending on the date the accounting firm signs the report on the financial statements for the fiscal year during which those services are provided, or who expects to provide ten or more hours of non-audit services to the audit client on a recurring basis;



**Sample Financial Relationships that Impair Independence—  
Covered Members (Persons) or their Immediate Families**

AICPA Rule	SEC Rule	Comparison
<p>Direct or indirect material financial interest in a client.</p> <p>Serves as trustee or executor of an estate or trust that has a direct or material indirect financial interest in a client and</p> <ul style="list-style-type: none"> <li>(i). The covered member (individually or with others) had the authority to make investment decisions for the trust or estate; or</li> <li>(ii). The trust or estate owned or was committed to acquire more than 10 percent of the client's outstanding equity securities or other ownership interests; or</li> <li>(iii). The value of the trust's or estate's holdings in the client exceeded 10 percent of the total assets of the trust or estate.</li> </ul>	<p>Direct or indirect material financial interest in a client.</p> <p>Serves as voting trustee of a trust, or executor of an estate, containing the securities of a client, unless the trustee or executor has no authority to make investment decisions for the trust or estate.</p>	<p>Rules on direct and indirect financial interests are generally similar. SEC specifies what constitutes a direct investment through an intermediary entity <sup>4</sup> and exempts indirect interests held through a diversified management investment company (e.g.; mutual fund) where 5% or less of the outstanding shares of the fund are held. <sup>5</sup></p> <p>The AICPA rule on trustee/executor positions is more restrictive; it permits such relationships when the individual does not have the authority to make investment decisions for the trust or estate, but adds additional criteria regarding the trust or estate's holdings in the client's outstanding equity securities. These criteria are not found in the SEC guidance.</p>

<sup>4</sup> See Rule 2-01 (c)(1)(i)(A).

<sup>5</sup> See Rule 2-01(c)(1)(i)(D).





**Sample Financial Relationships that Impair Independence—  
Financial Interests in non-clients having investor or investee relationships with clients**

AICPA Rule	SEC Rule	Comparison
<p>This provision of the rule applies only in situations where an “investor” has the ability to exercise “significant influence” over an “investee.” That is, the rule defines “investors” as having the ability to exercise significant influence (as defined in Financial Accounting Standards Board <i>Accounting Standards Codification</i> 323–10 – Generally considered to be 20% - 50% interest). For example:</p> <ul style="list-style-type: none"> <li>○ Any direct or material indirect financial interest by a covered member in a nonclient investee will impair independence with respect to a client investor where the nonclient investee is material to client investor.</li> <li>○ Any material financial interest by a covered member in a nonclient investee will impair independence with respect to a client investor.</li> <li>○ Any direct or material indirect financial interest by a covered member in a nonclient investor will impair independence with respect to a client investee where client investee is material to nonclient investor.</li> <li>○ Any financial interest by a covered member that allows the member to exercise significant influence over a nonclient investor will impair independence with respect to a client investee.</li> </ul>	<p>The accounting firm, any covered person in the firm, or any of his/her immediate family has:</p> <ul style="list-style-type: none"> <li>○ Any direct or material indirect investment in an entity which an audit client has a material investment and the ability to exercise significant influence or;</li> <li>○ Any direct or material indirect investment in an entity that has a material investment in an audit client and that enables that entity to exercise significant influence over the audit client or;</li> <li>○ Has a material investment in an entity over which the audit client has the ability to exercise significant influence or;</li> <li>○ Has the ability to exercise significant influence over an entity that has the ability to exercise significant influence over an audit client.</li> </ul>	<p>While expressed differently, the rules are substantially similar.</p>



**Application of Independence Rules  
Immediate Family**

AICPA Rule	SEC Rule	Comparison
<p>Immediate family must comply with the same rules as covered members, subject to two specific exceptions.</p> <p>Immediate family is a covered member's spouse, spousal equivalent or dependent.</p> <p><u>Exception for Financial Interests held in an Employee Benefit Plan</u> The immediate family of a partner or manager providing non-attest services or other partners in the lead attest engagement partner's primary office may have financial interests through an employer's retirement, savings, compensation or similar plan provided the plan is offered equitably to all similar employees.</p> <p>The immediate family of persons on the attest engagement team or those in a position to influence the engagement may not use the exception.</p>	<p>Immediate family must comply with the same rules as covered persons, subject to two specific exceptions.</p> <p>Immediate family includes a covered person's spouse, spousal equivalent or dependent.</p> <p><u>Exception for Financial Interests held in an Employee Benefit Plan</u> The immediate family of a partner or manager providing non-attest services or other partners in the lead attest engagement partner's primary office may have a financial interest in a client that:</p> <ul style="list-style-type: none"> <li>○ Resulted as an unavoidable consequence of participation in his or her employer's compensation or benefits program; and</li> <li>○ Is disposed of as soon as practicable, but no later than 30 days after the person has the right to dispose of the financial interest.</li> </ul> <p>The immediate family of persons on the audit engagement team or those in a position to influence the engagement may not use the exception.</p>	<p>These rules are identical.</p> <p>The AICPA rule is generally consistent with the SEC rule. However, under the SEC rule, the immediate family of exempted covered persons cannot invest in clients <i>unless</i> the investment results from the unavoidable consequence of participating in an employer's benefit plan. <sup>10</sup>The AICPA rule does not provide such a restriction.</p>

<sup>10</sup>SEC rule 2-01(c)(1)(iii)(C).



**Financial Interests that Impair Independence—  
Partners and Professional Employees and their Immediate Families**

AICPA Rule	SEC Rule	Comparison
Any partner or professional employee, his or her immediate family (or group of such persons acting together) has a financial interest exceeding 5 % of a client’s outstanding equity securities (or other ownership interests).	Any partner (or equivalent), professional employee, or his or her immediate family (or group of such persons) has filed a Schedule 13D or 13G with the Commission indicating beneficial ownership of more than 5 % of a client's equity securities. <sup>11</sup>	The rules are substantially similar.

**Financial Interests that Impair Independence—  
Close Relatives**

AICPA Rule	SEC Rule	Comparison
An individual participating on the attest engagement team has a close relative <sup>12</sup> who had a financial interest in the client that: (i). Was material to the relative <sup>13</sup> ; <b>OR</b> (ii). Enabled the relative to exercise significant influence over the client.	A covered person’s close family <sup>14</sup> has filed a Schedule 13D or 13G with the Commission indicating beneficial ownership of more than 5 % of a client's equity securities or controls an audit client.  A partner’s (or equivalent) close family controls a client.	For interests of less than 5 % of a client’s equity, the AICPA rule pertaining to relatives of persons participating on the attest engagement team is more restrictive than the SEC rule— <i>when the interest is material to the close relative and the engagement team participant has knowledge of such interest</i> .  In other respects, the SEC rules are <i>generally</i> more restrictive than AICPA since AICPA rules: <ul style="list-style-type: none"> <li>○ Apply a higher threshold (significant influence—generally presumed at 20% ownership vs. 5 %). <sup>15</sup></li> <li>○ Take materiality of the investment to the relative into account.</li> <li>○ Use a “tiered approach” (apply a higher standard to relatives of persons on the engagement than for other covered members).</li> </ul>

<sup>11</sup> SEC rule 2-01(c)(1)(i)(A) and (D).

<sup>12</sup> A parent, nondependent child or sibling.

<sup>13</sup> Of which the covered member has knowledge.



**Financial Interests that Impair Independence—  
Close Relatives, cont.**

<b>AICPA Rule</b>	<b>SEC Rule</b>	<b>Comparison</b>
<p>An individual in a position to influence the attest engagement or any partner in the office in which the lead attest engagement partner practices has a close relative who had a financial interest in the client that:</p> <ul style="list-style-type: none"> <li>(i). Was material to the relative <sup>16</sup>; AND</li> <li>(ii). Enabled the relative to exercise significant influence over the client.</li> </ul>	<p>A covered person’s close family has filed a Schedule 13D or 13G with the Commission indicating beneficial ownership of more than 5 % of a client's equity securities or controls an audit client.</p> <p>A partner’s (or equivalent) close family controls a client.</p>	<p>SEC rules are <i>generally</i> more restrictive than AICPA rules as AICPA rules:</p> <ul style="list-style-type: none"> <li>○ Exempt relatives of covered members who solely provide nonattest services.</li> <li>○ Apply to close relatives of certain covered members only. SEC rules apply to all partners in the firm when relative controls the client. <sup>17</sup></li> </ul>

<sup>14</sup> Includes a parent, nondependent child or sibling.

<sup>15</sup> The term significant influence is as defined in Financial Accounting Standards Board *Accounting Standards Codification* 323–10–15.

<sup>16</sup> Of which the individual or partner has knowledge.

<sup>17</sup> Regardless of the close relative’s proportional ownership, if such partner is not a covered member subject to these provisions (member of the attest engagement team, individual who can influence the engagement, or a partner in the office where the lead partner primarily practices in connection with the engagement), independence would not be considered to be impaired under AICPA rules.



**Employment and Certain Other Business Relationships that Impair Independence—  
Partners and Professional Employees**

<b>AICPA Rule</b>	<b>SEC Rule</b>	<b>Comparison</b>
A partner or professional employee is simultaneously employed by or has any of the following business relationships with a client: officer, director, employee, or any capacity equivalent to management; promoter, underwriter, voting trustee, or trustee of client's pension or profit-sharing trust.	A current partner (or equivalent) or professional employee is employed by a client or serves as a member of the board of directors or similar management body of the client.	The rules are substantially similar although AICPA rules detail more relationships that impair independence (e.g.; trustee of client's profit sharing trust).

**Employment Relationships that Impair Independence  
Immediate Family**

<b>AICPA Rule</b>	<b>SEC Rule</b>	<b>Comparison</b>
A covered member's immediate family has a key position [see page 12] with the client.	A covered person's immediate family is in an accounting role or financial reporting oversight role [see page 12] at a client.	The rules are substantially similar.



**Employment Relationships that Impair Independence  
Close Relatives**

AICPA Rule	SEC Rule	Comparison
A covered member, except a partner or manager who is a covered member <i>solely</i> because he or she provides non-attest services to the client, has a close relative <sup>18</sup> who is employed in a key position with the client.	A covered person’s parent, nondependent child or sibling is in an accounting role or financial reporting oversight role at a client.	The rules are substantially similar with the exception that under the AICPA rule, the restriction does not apply to partners or managers who only provide non-attest services to the client.

**Definition of “Key Position” (AICPA) or “Accounting Role or Financial Reporting Oversight Role” (SEC)**

AICPA Rule	SEC Rule	Comparison
A key position is one in which an individual has: (1) Primary responsibility for significant accounting functions that support material components of the financial statements; or (2) Primary responsibility for the preparation of the financial statements; or (3) The ability to exercise influence over the contents of the financial statements (for example, as a member of the board of directors or similar governing body, chief executive officer, president, chief financial officer, chief operating officer, general counsel, chief accounting officer, controller, director of internal audit, director of financial reporting, treasurer, or any equivalent position).	Accounting role means a role in which a person is in a position to or does exercise more than minimal influence over the contents of the accounting records or anyone who prepares them.  Financial reporting oversight role means a role in which a person is in a position to or does exercise influence over the contents of the financial statements or anyone who prepares them, such as when the person is a member of the board of directors or similar management or governing body, chief executive officer, president, chief financial officer, chief operating officer, general counsel, chief accounting officer, controller, director of internal audit, director of financial reporting, treasurer, or any equivalent position.	The rules are substantially similar although some wording differences exist.

<sup>18</sup> Parent, sibling, or nondependent child.



**Former Employment or Other Associations with Client—  
Covered Member**

AICPA Rule	SEC Rule	Comparison
<p>Former employment or association with a client <sup>19</sup> impairs independence if the individual participates on the attest engagement team or is able to influence the attest engagement for the client when such engagement covers any period that includes his or her former employment or association with that client.</p> <p>Other covered members with previous affiliations impair independence if they do not disassociate from client before becoming a covered member by taking specified actions (e.g.; cease participation in client’s benefit plans). <sup>20</sup></p>	<p>Former officer, director, or employee of a client who becomes a partner or professional employee of the firm impairs independence unless he or she does not participate in, and is not in a position to influence, the audit of the client’s financial statements covering any period during which he or she was employed by or associated with that client.</p>	<p>Rules relating to persons on the attest engagement team and those able to influence the engagement are substantially the same, although AICPA rule specifies a wider range of former associations than SEC rules.</p> <p>AICPA rules pertaining to other covered members specify actions that such persons must carry out to disassociate from the client whereas SEC rules do not.</p>

<sup>19</sup> As a(n) officer, director, promoter, underwriter, voting trustee, or trustee for a pension or profit-sharing trust of the client

<sup>20</sup> See Interpretation 101-1 – *Application of the independence rules to covered members formerly employed by a client or otherwise associated with a client*



**Employment or Association with Attest Clients  
(Former firm professional is associated with client)**

AICPA Rule	SEC Rule	Comparison
<p>Former firm partners or professional employees who are subsequently employed by or associated with an attest client in a “key position” [see page12] will impair the firm’s independence with respect to that client unless all the following conditions are met :</p> <ol style="list-style-type: none"> <li>1. Amounts due to the former partner or professional employee for his or her previous interest in the firm and for unfunded, vested retirement benefits are not material to the firm, and the underlying formula used to calculate the payments remains fixed during the payout period. Retirement benefits may also be adjusted for inflation and interest may be paid on amounts due.</li> <li>2. The former partner or professional employee is not in a position to influence the accounting firm's operations or financial policies.</li> <li>3. The former partner or professional employee does not participate or appear to participate in, and is not associated with the firm, whether or not compensated for such participation or association, once employment or association with the client begins. An appearance of participation or association results from such actions as:</li> </ol>	<p>An accountant is not independent when a former partner, principal, shareholder, or professional employee of an accounting firm is in an accounting role or financial reporting oversight role at an audit client, unless the individual:</p> <ol style="list-style-type: none"> <li>(1) Does not influence the accounting firm's operations or financial policies;</li> <li>(2) Has no capital balances in the accounting firm; and</li> <li>(3) Has no financial arrangement with the accounting firm other than one providing for regular payment of a fixed dollar amount (which is not dependent on the revenues, profits, or earnings of the accounting firm):               <ol style="list-style-type: none"> <li>(i) Pursuant to a fully funded retirement plan, rabbi trust, or, in jurisdictions in which a rabbi trust does not exist, a similar vehicle; or</li> <li>(ii) In the case of a former professional employee who was not a partner, principal, or shareholder of the accounting firm and who has been disassociated from the accounting firm for more than five years, that is immaterial to the former professional employee; and</li> </ol> </li> </ol> <p>An accountant is not independent when a former partner, principal, shareholder, or professional employee of an accounting firm is in a financial reporting oversight role at an issuer unless the individual:</p>	<p>The SEC rules are more restrictive as they require a one year “cooling off” period, which is not provided for in the AICPA rule. The AICPA rules list extensive safeguards to mitigate threats to independence.</p>



**Employment or Association with Attest Clients  
(Former firm professional is associated with client) (cont.)**

AICPA Rule	SEC Rule	Comparison
<ul style="list-style-type: none"> <li>• The individual provides consultation to the firm.</li> <li>• The firm provides the individual with an office and related amenities (for example, secretarial and telephone services).</li> <li>• The individual's name is included in the firm's office directory.</li> <li>• The individual's name is included as a member of the firm in other membership lists of business, professional, or civic organizations, unless the individual is clearly designated as retired.</li> </ul> <p>4. The ongoing attest engagement team considers the appropriateness or necessity of modifying the engagement procedures to adjust for the risk that, by virtue of the former partner or professional employee's prior knowledge of the audit plan, audit effectiveness could be reduced.</p> <p>5. The firm assesses whether existing attest engagement team members have the appropriate experience and stature to effectively deal with the former partner or professional employee and his or her work, when that person will have significant interaction with the attest engagement team.</p>	<p>(1) Employed by the issuer was not a member of the audit engagement team of the issuer during the one year period preceding the date that audit procedures commenced for the fiscal period that included the date of initial employment of the audit engagement team member by the issuer (certain exceptions apply to persons, other than the lead partner and the concurring partner, who provided ten or fewer hours of audit, review, or attest services)</p>	



**Employment or Association with Attest Clients  
(Former firm professional is associated with client) (cont.)**

<b>AICPA Rule</b>	<b>SEC Rule</b>	<b>Comparison</b>
<p>6. The subsequent attest engagement is reviewed to determine whether the engagement team members maintained the appropriate level of skepticism when evaluating the representations and works of the former partner or professional employee, when the person joins the client in a key position within one year of disassociating from the firm and has significant interaction with the attest engagement team. The review should be performed by a professional with appropriate stature, expertise, and objectivity and should be tailored based on the position that the person assumed at the client, the position he or she held at the firm, the nature of the services he or she provided to the client, and other relevant facts and circumstances. Appropriate actions, as deemed necessary, should be taken based on the results of the review.</p>		



**Non-Attest Services that Impair Independence**

AICPA Rule	SEC Rule	Comparison
<p>Prior to performing nonattest services, the member must meet certain general requirements:</p> <ol style="list-style-type: none"> <li>1. The member should not perform management functions or make management decisions for the attest client.</li> <li>2. The client must agree to perform the following functions in connection with the engagement to perform nonattest services:               <ol style="list-style-type: none"> <li>a. Make all management decisions and perform all management functions;</li> <li>b. Designate an individual who possesses suitable skill, knowledge and/or experience, preferably within senior management, to oversee the services;</li> <li>c. Evaluate the adequacy and results of the services performed;</li> <li>d. Accept responsibility for the results of the services; and</li> <li>e. Establish and maintain internal controls, including monitoring ongoing activities.</li> </ol> </li> </ol> <p>The member should be satisfied that the client will be able to meet all of the above criteria and make an informed judgment on the results of the member's nonattest services.</p>	<p>An accountant is not independent if the accountant provides the following non-audit services to an audit client:</p> <p><u>Management functions</u> Acting, temporarily or permanently, as a director, officer, or employee of an audit client, or performing any decision-making, supervisory, or ongoing monitoring function for the audit client</p>	<p>The SEC rules are generally more restrictive. However, for those nonattest services that are permitted, the AICPA has extensive requirements that must be met such as assessing whether the client has the necessary skill, knowledge and/or experience to oversee the nonattest services provided; and written documentation of the understanding with the client.</p>



**Non-Attest Services that Impair Independence (cont.)**

<b>AICPA Rule</b>	<b>SEC Rule</b>	<b>Comparison</b>
<p>In assessing whether the designated individual possesses suitable skill, knowledge and/or experience, the member should be satisfied that such individual understands the services to be performed sufficiently to oversee them. However, the individual is not required to possess the expertise to perform or re-perform the services.</p> <p>If the client is unable or unwilling to assume these responsibilities (for example, the client does not have an individual with skill, knowledge, and/or experience to oversee the nonattest services provided, or is unwilling to perform such functions due to lack of time or desire), the member's provision of these services would impair independence.</p> <p>3. Prior to performing nonattest services, the member should establish and document in writing<sup>21</sup> his or her understanding with the client.</p>		

<sup>21</sup> A failure to prepare the required documentation would not impair independence, but would be considered a violation of Rule 202 – Compliance with Standards, provided that the member did establish the understanding with the client.



**Non-Attest Services that Impair Independence (cont.)**

AICPA Rule	SEC Rule	Comparison
<p><i>The rules also require members to comply with more restrictive nonattest services independence rules of other authoritative regulatory bodies (e.g., state boards of accountancy and the Securities and Exchange Commission)—in addition to AICPA rules—where applicable.</i></p> <p><u>The following activities and nonattest services would impair independence:</u></p> <p><u>General Activities</u></p> <ul style="list-style-type: none"> <li>• Authorizing, executing, or consummating a transaction, or otherwise exercising authority on behalf of a client, or having the authority to do so</li> <li>• Preparing source documents, in electronic or other form, evidencing the occurrence of a transaction</li> <li>• Having custody of client assets</li> <li>• Supervising client employees in the performance of their normal recurring activities</li> <li>• Determining which recommendations of the member should be implemented</li> <li>• Reporting to the board of directors on behalf of management</li> <li>• Serving as a client's stock transfer or escrow agent, registrar, general counsel, or its equivalent</li> </ul>		



**Non-Attest Services that Impair Independence (cont.)**

AICPA Rule	SEC Rule	Comparison
<p><u>Bookkeeping</u></p> <ul style="list-style-type: none"> <li>• Determine or change journal entries, account coding or classification for transactions, or other accounting records without obtaining client approval.</li> <li>• Authorize or approve transactions.</li> <li>• Prepare source documents</li> <li>• Make changes to source documents without client approval.</li> </ul> <p><u>Payroll and other disbursement</u></p> <ul style="list-style-type: none"> <li>• Accept responsibility to authorize payment of client funds, electronically or otherwise, except as specifically provided for with respect to electronic payroll tax payments.</li> <li>• Accept responsibility to sign or cosign client checks, even if only in emergency situations.</li> <li>• Maintain a client's bank account or otherwise have custody of a client's funds or make credit or banking decisions for the client.</li> <li>• Sign payroll tax return on behalf of client management.</li> <li>• Approve vendor invoices for payment.</li> </ul>	<p><u>Bookkeeping or other services related to the accounting records or financial statements of the audit client</u></p> <p>Any service unless it is reasonable to conclude that the results of these services will not be subject to audit procedures during an audit of the audit client's financial statements, including:</p> <ul style="list-style-type: none"> <li>• Maintaining or preparing the audit client's accounting records;</li> <li>• Preparing the audit client's financial statements or</li> <li>• Preparing or originating source data underlying the audit client's financial statements.</li> </ul>	



**Non-Attest Services that Impair Independence (cont.)**

<b>AICPA Rule</b>	<b>SEC Rule</b>	<b>Comparison</b>
<p><u>Information systems – design, installation, or integration</u></p> <ul style="list-style-type: none"><li>• Design or develop a client’s financial information system.</li><li>• Make other than insignificant modifications to source code underlying a client’s existing financial information system.</li><li>• Supervise client personnel in the daily operation of a client's information system.</li><li>• Operate a client's local area network (LAN) system.</li></ul>	<p><u>Financial information systems design and implementation.</u></p> <p>Any service unless it is reasonable to conclude that the results of these services will not be subject to audit procedures during an audit of the audit client's financial statements, including:</p> <ul style="list-style-type: none"><li>• Directly or indirectly operating, or supervising the operation of, the audit client's information system or managing the audit client's local area network; or</li><li>• Designing or implementing a hardware or software system that aggregates source data underlying the financial statements or generates information that is significant to the audit client's financial statements or other financial information systems taken as a whole.</li></ul>	



**Non-Attest Services that Impair Independence (cont.)**

<b>AICPA Rule</b>	<b>SEC Rule</b>	<b>Comparison</b>
<p><u>Executive or employee search</u></p> <ul style="list-style-type: none"><li>• Commit the client to employee compensation or benefit arrangements.</li><li>• Hire or terminate client employees.</li></ul>	<p><u>Human resources</u></p> <ul style="list-style-type: none"><li>• Searching for or seeking out prospective candidates for managerial, executive, or director positions;</li><li>• Engaging in psychological testing, or other formal testing or evaluation programs;</li><li>• Undertaking reference checks of prospective candidates for an executive or director position;</li><li>• Acting as a negotiator on the audit client's behalf, such as determining position, status or title, compensation, fringe benefits, or other conditions of employment; or</li><li>• Recommending, or advising the audit client to hire, a specific candidate for a specific job (except that an accounting firm may, upon request by the audit client, interview candidates and advise the audit client on the candidate's competence for financial accounting, administrative, or control positions).</li></ul>	



**Non-Attest Services that Impair Independence (cont.)**

AICPA Rule	SEC Rule	Comparison
<p><u>Appraisal, valuation and actuarial services</u> Independence would be impaired if a member performs an appraisal, valuation, or actuarial service for an attest client where the results of the service, individually or in the aggregate, would be material to the financial statements and the appraisal, valuation, or actuarial service involves a significant degree of subjectivity.</p> <p><u>Corporate finance – consulting or advisory</u></p> <ul style="list-style-type: none"> <li>• Commit the client to the terms of a transaction or consummate a transaction on behalf of the client.</li> <li>• Act as a promoter, underwriter, broker-dealer, or guarantor of client securities, or distributor of private placement memoranda or offering documents.</li> <li>• Maintain custody of client securities.</li> </ul>	<p><u>Appraisal or valuation services, fairness opinions, or contribution-in-kind reports</u> Any appraisal service, valuation service, or any service involving a fairness opinion or contribution-in-kind report for an audit client, unless it is reasonable to conclude that the results of these services will not be subject to audit procedures during an audit of the audit client's financial statements.</p> <p><u>Actuarial services</u> Any actuarially-oriented advisory service involving the determination of amounts recorded in the financial statements and related accounts for the audit client other than assisting a client in understanding the methods, models, assumptions, and inputs used in computing an amount, unless it is reasonable to conclude that the results of these services will not be subject to audit procedures during an audit of the audit client's financial statements</p> <p><u>Broker-dealer, investment adviser, or investment banking services</u> Acting as a broker-dealer (registered or unregistered), promoter, or underwriter, on behalf of an audit client, making investment decisions on behalf of the audit client or otherwise having discretionary authority over an audit client's investments, executing a transaction to buy or sell an audit client's investment, or having custody of assets of the audit client, such as taking temporary possession of securities purchased by the audit client.</p>	



**Non-Attest Services that Impair Independence (cont.)**

AICPA Rule	SEC Rule	Comparison
<p><u>Investment – advisory and management</u></p> <ul style="list-style-type: none"> <li>• Make investment decisions on behalf of client management or otherwise have discretionary authority over a client's investments.</li> <li>• Execute a transaction to buy or sell a client's investment.</li> <li>• Have custody of client assets, such as taking temporary possession of securities purchased by a client.</li> </ul> <p><u>Internal audit assistance services<sup>22</sup></u></p> <ul style="list-style-type: none"> <li>• Performing ongoing monitoring activities or control activities (for example, reviewing loan originations as part of the client's approval process or reviewing customer credit information as part of the customer's sales authorization process) that affect the execution of transactions or ensure that transactions are properly executed, accounted for, or both, and performing routine activities in connection with the client's operating or production processes that are equivalent to those of an ongoing compliance or quality control function.</li> </ul>	<p><u>Internal audit outsourcing services</u></p> <p>Any internal audit service that has been outsourced by the audit client that relates to the audit client's internal accounting controls, financial systems, or financial statements, for an audit client unless it is reasonable to conclude that the results of these services will not be subject to audit procedures during an audit of the audit client's financial statements.</p>	

<sup>22</sup> Assisting a client in performing financial and operational internal audit activities would impair independence unless the member takes appropriate steps to ensure the client understands its responsibilities for establishing and, maintaining the internal control system and directing the internal audit function. Accordingly, any outsourcing of the internal audit function to the member whereby the member in effect manages the internal audit activities of the client would impair independence.



**Non-Attest Services that Impair Independence (cont.)**

<b>AICPA Rule</b>	<b>SEC Rule</b>	<b>Comparison</b>
<ul style="list-style-type: none"><li>• Determining which, if any, recommendations for improving the internal control system should be implemented</li><li>• Reporting to the board of directors or audit committee on behalf of management or the individual responsible for the internal audit function</li><li>• Approving or being responsible for the overall internal audit work plan including the determination of the internal audit risk and scope, project priorities, and frequency of performance of audit procedures</li><li>• Being connected with the client as an employee or in any capacity equivalent to a member of client management (for example, being listed as an employee in client directories or other client publications, permitting himself or herself to be referred to by title or description as supervising or being in charge of the client's internal audit function, or using the client's letterhead or internal correspondence forms in communications)</li></ul>		



**Non-Attest Services that Impair Independence (cont.)**

<b>AICPA Rule</b>	<b>SEC Rule</b>	<b>Comparison</b>
<p><u>Business risk consulting</u></p> <ul style="list-style-type: none"> <li>• Make or approve business risk decisions. Present business risk considerations to the board or others on behalf of management</li> </ul> <p><u>Benefit plan administration</u></p> <ul style="list-style-type: none"> <li>• Make policy decisions on behalf of client management.</li> <li>• When dealing with plan participants, interpret the plan document on behalf of management without first obtaining management's concurrence.</li> <li>• Make disbursements on behalf of the plan.</li> <li>• Have custody of assets of a plan.</li> <li>• Serve a plan as a fiduciary as defined by ERISA.</li> </ul>	<p><u>Legal services</u>            Providing any service to an audit client that, under circumstances in which the service is provided, could be provided only by someone licensed, admitted, or otherwise qualified to practice law in the jurisdiction in which the service is provided.</p> <p><u>Expert services unrelated to the audit</u>            Providing an expert opinion or other expert service for an audit client, or an audit client's legal representative, for the purpose of advocating an audit client's interests in litigation or in a regulatory or administrative proceeding or investigation. (An accountant is permitted to provide factual accounts, including in testimony, of work performed or explain the positions taken or conclusions reached during the performance of any service provided by the accountant for the audit client.)</p>	