

The Professional Ethics Executive Committee has revised the following interpretations and rulings under Rule 101 of the Code of Professional Conduct [AICPA, Professional Standards, ET sections 92.08, 101.05, 101.07, 101.15, 191.208-09 and 191.210-11]. Added text is in boldface italics; deleted text is struck through.

DEFINITIONS

.08 Financial institution. A financial institution is considered to be an entity that, as part of its normal business operations, makes loans *or extends credit* to the general public. *In addition, for automobile leases addressed under Interpretation 101-5, "Loans From Financial Institution Clients," [ET section 101.07] an entity would be considered a financial institution if it leases automobiles to the general public.*

[Effective Date: September 30, 2003]

INTERPRETATION 101-3 UNDER RULE OF CONDUCT 101

~~.05 101-3—Performance of other nonattest services. A member or his or her firm ("member") who performs an attest engagement for a client may also perform other nonattest services ("other services") for that client. Before a member or his or her firm ("member") performs other nonattest services for an attest client, ⁴the member he or she should~~ must evaluate the effect of such services on his or her independence *determine that the requirements described in this Interpretation have been met.* In particular, care should be taken not to perform management functions or make management decisions for the attest client, the responsibility for which remains with the client's board of directors and management. *In cases where the requirements have not been met during the period of the professional engagement or the period covered by the financial statements, the member's independence would be impaired.*

Engagements Subject to Independence Rules of Certain Regulatory Bodies

This interpretation requires compliance with independence regulations of authoritative regulatory bodies (such as the Securities and Exchange Commission [SEC], the General Accounting Office [GAO], the Department of Labor [DOL], and state boards of accountancy) where a member performs nonattest services for a client and is required to be independent of the client under the regulations of the applicable regulatory body. Accordingly, failure to comply with the nonattest services provisions contained in the independence rules of the applicable regulatory body that are more restrictive than the provisions of this interpretation would constitute a violation of this interpretation.

⁴ *A member who performs a compilation engagement for a client should modify the compilation report to indicate a lack of independence if the member does not meet all of the conditions set out in this Interpretation when providing a nonattest service to that client (see Statement on Standards for Accounting and Review Services No. 1, Compilation and Review of Financial Statements [AR section 100.19]).*

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~~Before performing other services, the member should establish an understanding with the client regarding the objectives of the engagement, the services to be performed, management's responsibilities, the member's responsibilities, and the limitations of the engagement. It is preferable that this understanding be documented in an engagement letter. In addition, the member should be satisfied that the client is in a position to have an informed judgment on the results of the other services and that the client understands its responsibility to —~~

- ~~1. Designate a management level individual or individuals to be responsible for overseeing the services being provided.~~
- ~~2. Evaluate the adequacy of the services performed and any findings that result.~~
- ~~3. Make management decisions, including accepting responsibility for the results of the other services.~~
- ~~4. Establish and maintain internal controls, including monitoring ongoing activities.~~

General Requirements for Performing Nonattest Services

- 1. *The member should not perform management functions or make management decisions for the attest client. However, the member may provide advice, research materials, and recommendations to assist the client's management in performing its functions and making decisions.***
- 2. *The client must agree to perform the following functions in connection with the engagement to perform nonattest services:***
 - a. *Make all management decisions and perform all management functions;***
 - b. *Designate a competent employee, preferably within senior management, to oversee the services;***
 - c. *Evaluate the adequacy and results of the services performed;***
 - d. *Accept responsibility for the results of the services; and***
 - e. *Establish and maintain internal controls, including monitoring ongoing activities.***

The member should be satisfied that the client will be able to meet all of these criteria and make an informed judgment on the results of the member's nonattest services. In assessing the competency of the client's designated employee, the member should be satisfied that such individual understands the services to be performed sufficiently to oversee them. In cases where the client is unable or unwilling to assume these responsibilities (for example, the client does not have an individual with the necessary competence 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.

- 3. *Before performing nonattest services, the member should establish and***

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document in writing⁵ his or her understanding with the client (board of directors, audit committee, or management, as appropriate in the circumstances) regarding the following:

- a. *Objectives of the engagement*
- b. *Services to be performed*
- c. *Client's acceptance of its responsibilities*
- d. *Member's responsibilities*
- e. *Any limitations of the engagement*

The documentation requirement does not apply to certain routine activities performed by the member such as providing advice and responding to the client's technical questions as part of the normal client-member relationship.

General Activities

The following are some general activities that would ~~be considered to~~ impair a member's independence:

- Authorizing, executing, or consummating a transaction, ~~or otherwise exercising authority on behalf of a client, or having the authority to do so~~
- Preparing source documents⁴⁶ ~~or originating data, in electronic or other form, evidencing the occurrence of a transaction (for example, purchase orders, payroll time records, and customer orders)~~
- Having custody of client assets
- Supervising client employees in the performance of their normal recurring activities
- Determining which recommendations of the member should be implemented
- Reporting to the board of directors on behalf of management
- Serving as a client's stock transfer or escrow agent, registrar, general counsel, or its equivalent

Specific Examples of Nonattest Services

The examples in the following table identify the effect that performance of ~~other~~ *certain nonattest* services for an attest client can have on a member's independence. These examples *presume that the general requirements in the previous section "General Requirements for Performing Nonattest Services" have been met and* are not intended to be all-inclusive of the types of ~~other~~ *nonattest* services performed by members.

5 An isolated and inadvertent failure to prepare the required documentation would not impair independence, provided that the member did establish the understanding with the client, the member documents the understanding promptly upon discovery of the failure to do so, and all other provisions of the Interpretation are met.

⁴⁶ ~~The~~ *Source documents are the documents* upon which evidence of an accounting transaction are initially recorded. Source documents are often followed by the creation of many additional records and reports, which do not, however, qualify as initial recordings. Examples of source documents are purchase orders, payroll time cards, and customer orders.

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Impact on Independence of Performance of Other Nonattest Services

Type of Other Nonattest Service	Independence Would Not Be Impaired	Independence Would Be Impaired
Bookkeeping	<ul style="list-style-type: none"> • Record transactions for which management has determined or approved the appropriate account classification, or post coded transactions to a client's general ledger. • Prepare financial statements based on information in the trial balance. • Post client-approved entries to a client's trial balance. • Propose standard, adjusting, or correcting journal entries or other changes affecting the financial statements to the client <i>provided the client reviews the entries and the member is satisfied that management understands the nature of the proposed entries and the impact the entries have on the financial statements.</i> 	<ul style="list-style-type: none"> • Determine or change journal entries, account codings or classification for transactions, or other accounting records without obtaining client approval. • Authorize or approve transactions. • Prepare source documents or originate data. • Make changes to source documents without client approval.
Payroll and other disbursement	<ul style="list-style-type: none"> • Provide data processing services. • Using payroll time records provided and approved by the client, generate unsigned checks, or process client's payroll. • Transmit client-approved payroll or other disbursement information to a financial 	<ul style="list-style-type: none"> • Accept responsibility to authorize payment of client funds, electronically or otherwise, except as specifically provided for with respect to electronic payroll tax payments. • Accept responsibility to sign

§7 Although this type of transaction may be considered by some to be similar to signing checks or disbursing funds, the Professional Ethics Executive Committee concluded that making electronic payroll tax payments under the specified criteria would not impair a member's independence.

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institution provided the client has authorized the member to make the transmission and has made arrangements for the financial institution to limit the corresponding individual payments as to amount and payee. In addition, once transmitted, the client must authorize the financial institution to process the information.

- Make electronic payroll tax payments in accordance with U.S. Treasury Department *or comparable* guidelines provided the client has made arrangements for its financial institution to limit such payments to a named payee. ⁵

or cosign client checks, even if only in emergency situations.

- Maintain a client's bank account or otherwise have custody of a client's funds or make credit or banking decisions for the client.
- Sign payroll tax return on behalf of client management.
- Approve vendor invoices for payment.

Benefit plan administration ⁶
⁸

- Communicate summary plan data to plan trustee.
- Advise client management regarding the application or impact of provisions of the plan document.
- Process transactions (e.g., investment/benefit elections or increase/decrease contributions to the plan; data entry; participant confirmations; and processing of distributions and loans) initiated by plan participants through the member's electronic medium, such as an interactive voice response system or Internet connection or other media.

- Make policy decisions on behalf of client management.
- When dealing with plan participants, interpret the plan document on behalf of management without first obtaining management's concurrence.
- Make disbursements on behalf of the plan.
- Have custody of assets of a plan.
- Serve a plan as a fiduciary as defined by ERISA.

⁶⁻⁸ When auditing plans subject to the Employee Retirement Income Security Act (ERISA), Department of Labor (DOL) regulations, which may be more restrictive, must be followed.

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| Investment—
advisory or
management | <ul style="list-style-type: none">• Prepare account valuations for plan participants using data collected through the member's electronic or other media.• Prepare and transmit participant statements to plan participants based on data collected through the member's electronic or other medium.• Recommend the allocation of funds that a client should invest in various asset classes, depending upon the client's desired rate of return, risk tolerance, etc.• Perform recordkeeping and reporting of client's portfolio balances including providing a comparative analysis of the client's investments to third-party benchmarks.• Review the manner in which a client's portfolio is being managed by investment account managers, including determining whether the managers are (1) following the guidelines of the client's investment policy statement; (2) meeting the client's investment objectives; and (3) conforming to the client's stated investment styles.• Transmit a client's investment selection to a broker-dealer or equivalent provided the client has authorized the broker-dealer or equivalent to execute the transaction. | <ul style="list-style-type: none">• Make investment decisions on behalf of client management or otherwise have discretionary authority over a client's investments.• Execute a transaction to buy or sell a client's investment.• Have custody of client assets, such as taking temporary possession of securities purchased by a client. |
| Corporate
finance—
consulting or
advisory | <ul style="list-style-type: none">• Assist in developing corporate strategies.• Assist in identifying or introducing the client to | <ul style="list-style-type: none">• Commit the client to the terms of a transaction or consummate a transaction on behalf of the client. |

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	<p>possible sources of capital that meet the client's specifications or criteria.</p> <ul style="list-style-type: none"> • Assist in analyzing the effects of proposed transactions including providing advice to a client during negotiations with potential buyers, sellers, or capital sources. • Assist in drafting an offering document or memorandum. • Participate in transaction negotiations in an advisory capacity. • Be named as a financial adviser in a client's private placement memoranda or offering documents. 	<ul style="list-style-type: none"> • Act as a promoter, underwriter, broker-dealer, or guarantor of client securities, or distributor of private placement memoranda or offering documents. • Maintain custody of client securities.
<p>Appraisal, valuation or actuarial</p>	<ul style="list-style-type: none"> • Test the reasonableness of the value placed on an asset or liability included in a client's financial statements by preparing a separate valuation of that asset or liability. • Perform a valuation of a client's business when all significant matters of judgment are determined or approved by the client and the client is in a position to have an informed judgment on the results of the valuation. 	<ul style="list-style-type: none"> • Prepare a valuation of an employer's securities contained in an employee stock ownership plan (ESOP) to support transactions with participants, plan contributions, and allocations within the ESOP, when the client is not in a position to have an informed judgment on the results of this valuation. • Prepare an appraisal, valuation, or actuarial report using assumptions determined by the member and not approved by the client.
<p>Executive or employee search</p>	<ul style="list-style-type: none"> • Recommend a position description or candidate specifications. • Solicit and perform screening of candidates and recommend qualified candidates to a client based on the client-approved criteria (e.g., required skills and experience). • Participate in employee hiring 	<ul style="list-style-type: none"> • Commit the client to employee compensation or benefit arrangements. • Hire or terminate client employees.

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| Business risk consulting | <ul style="list-style-type: none"> or compensation discussions in an advisory capacity. • Provide assistance in assessing the client's business risks and control processes. • Recommend a plan for making improvements to a client's control processes and assist in implementing these improvements. | <ul style="list-style-type: none"> • Make or approve business risk decisions. • Present business risk considerations to the board or others on behalf of management. |
| Information systems—
design,
installation, or
integration | <ul style="list-style-type: none"> • Design, Install or integrate a client's <i>financial</i> information system provided the client makes all management decisions <i>that was not designed or developed by the member (e.g., an off-the-shelf accounting package).</i> • <i>Assist in setting up the client's chart of accounts and financial statement format with respect to the client's financial information system.</i> • <i>Design, develop, install, or integrate a client's information system that is unrelated to the client's financial statements or accounting records.</i> • Customize a prepackaged accounting or information system, provided the client makes all management decisions. • Provide the initial training and instruction to client employees on a newly implemented information and control system. | <ul style="list-style-type: none"> • <i>Design or develop a client's financial information system.</i> • <i>Make other than insignificant modifications to source code underlying a client's existing financial information system.</i> • Supervise client personnel in the daily operation of a client's information system. • Operate a client's local area network (LAN) system when the client has not designated a competent individual, preferably within senior management, to be responsible for the LAN. |

Appraisal, Valuation, and Actuarial Services

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.

Valuations performed in connection with, for example, employee stock ownership plans, business combinations, or appraisals of assets or liabilities generally involve a significant degree of subjectivity. Accordingly, if these services produce results that are material to the financial statements, independence would be impaired.

An actuarial valuation of a client's pension or postemployment benefit liabilities generally produces reasonably consistent results because the valuation does not require a significant degree of subjectivity. Therefore, such services would not impair independence. In addition, appraisal, valuation, and actuarial services performed for nonfinancial statement purposes would not impair independence.⁹ However, in performing such services, all other requirements of this Interpretation should be met, including that all significant assumptions and matters of judgment are determined or approved by the client and the client is in a position to have an informed judgment on, and accepts responsibility for, the results of the service.

Internal Audit Assistance Services

Internal audit services involve assisting the client in the performance of its internal audit activities, sometimes referred to as "internal audit outsourcing." In evaluating whether independence would be impaired with respect to an attest client, the nature of the service needs to be considered.

Assisting the client in performing financial and operational¹⁰ internal audit activities would impair independence unless the member takes appropriate steps to ensure that the client understands its responsibility for establishing and maintaining the internal control system¹¹ and directing the internal audit function, including the management

⁹Examples of such services may include appraisal, valuation, and actuarial services performed for tax planning or tax compliance, estate and gift taxation, and divorce proceedings.

¹⁰For example, a member may assess whether performance is in compliance with management's policies and procedures, to identify opportunities for improvement, and to develop recommendations for improvement or further action for management consideration and decision making.

¹¹As part of its responsibility to establish and maintain internal control, management monitors internal control to assess the quality of its performance over time. Monitoring can be accomplished through ongoing activities, separate evaluations, or a combination of both. Ongoing monitoring activities are the procedures designed to assess the quality of internal control performance over time and built into the normal recurring activities of an entity; they include regular management and supervisory activities, comparisons, reconciliations, and other routine actions. Separate evaluations focus on the continued effectiveness of a client's internal control. A member's independence would not be impaired by the performance of separate evaluations of the effectiveness of a client's internal control, including separate evaluations of the client's ongoing monitoring activities.

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thereof. 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.

In addition to the general requirements of this Interpretation, the member should ensure that client management:

- *Designates a competent¹² individual or individuals, preferably within senior management, to be responsible for the internal audit function;*
- *Determines the scope, risk, and frequency of internal audit activities, including those to be performed by the member providing internal audit assistance services;*
- *Evaluates the findings and results arising from the internal audit activities, including those performed by the member providing internal audit assistance services; and*
- *Evaluates the adequacy of the audit procedures performed and the findings resulting from the performance of those procedures by, among other things, obtaining reports from the member.*

The member should also be satisfied that the client's board of directors, audit committee, or other governing body is informed about the member's and management's respective roles and responsibilities in connection with the engagement. Such information should provide the client's governing body a basis for developing guidelines for management and the member to follow in carrying out these responsibilities and monitoring how well the respective responsibilities have been met.

The member is responsible for performing the internal audit procedures in accordance with the terms of the engagement and reporting thereon. The performance of such procedures should be directed, reviewed, and supervised by the member. The report should include information that allows the individual responsible for the internal audit function to evaluate the adequacy of the audit procedures performed and the findings resulting from the performance of those procedures. This report may include recommendations for improvements in systems, processes, and procedures. The member may assist the individual responsible for the internal audit function in performing preliminary audit risk assessments, preparing audit plans, and recommending audit priorities. However, the member should not undertake any responsibilities that are required, as described above, to be performed by the individual responsible for the internal audit function.

The following are examples of activities (in addition to those listed in the "General Activities" section of this interpretation) that, if performed as part of an internal audit assistance engagement, would impair independence:

¹² *A competent individual would have an understanding of internal audit activities sufficient to oversee the services performed by the member.*

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- *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*
- *Determining which, if any, recommendations for improving the internal control system should be implemented*
- *Reporting to the board of directors or audit committee on behalf of management or the individual responsible for the internal audit function*
- *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*
- *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)*

The foregoing list is not intended to be all-inclusive.

Services involving an extension of the procedures that are generally of the type considered to be extensions of the member's audit scope applied in the audit of the client's financial statements, such as confirming of accounts receivable and analyzing fluctuations in account balances, are not considered internal audit assistance services and would not impair independence even if the extent of such testing exceeds that required by generally accepted auditing standards. In addition, engagements performed under the attestation standards would not be considered internal audit assistance services and therefore would not impair independence.

Transition

Independence would not be impaired as a result of the more restrictive requirements of Interpretation 101-3, provided the provision of any such nonattest services are pursuant to arrangements in existence on December 31, 2003, and are completed by December 31, 2004, and the member was in compliance with the preexisting requirements of this interpretation.

[Effective Date: December 31, 2003 (except as indicated above)]

INTERPRETATION 101-5 UNDER RULE OF CONDUCT 101

Other Permitted Loans

This interpretation permits only the following new loans *and leases* to be obtained from a financial institution client for which independence is required. These loans *and leases* must be obtained under the institution's normal lending procedures, terms, and requirements and must, at all times, be kept current as to all terms.

1. Automobile loans and leases collateralized by the automobile.
2. Loans fully collateralized by the cash surrender value of an insurance policy.
3. Loans fully collateralized by cash deposits at the same financial institution (e.g., "passbook loans").
4. *Aggregate outstanding* ~~Credit cards and cash advances where the aggregate outstanding balances from credit cards and overdraft reserve accounts on the current statement is~~ *that are* reduced to \$105,000 or less *on a current basis taking into consideration* by the payment due date *and any available grace period*.

[Effective Date: September 30, 2003]

INTERPRETATION 101-13 UNDER RULE OF CONDUCT 101

~~.15 101-13 Extended audit services.~~ A member or his or her firm ("member") may be asked by a client, for which the member performs an attest engagement, to perform extended audit services. ~~These services may include assistance in the performance of the client's internal audit activities and/or an extension of the member's audit service beyond the requirements of generally accepted auditing standards (hereinafter referred to as "extended audit services").~~

~~A member's performance of extended audit services would not be considered to impair independence with respect to a client for which the member also performs an attest engagement, provided that the member or his or her firm is not an employee of the client or does not act or appear to act in a capacity equivalent to a member of client management.~~

~~The responsibilities of the client, including its board of directors, audit committee, and management, and the responsibilities of the member, as described below, should be understood by both the member and the client. It is preferable that this understanding be documented in an engagement letter that indicates that the member may not perform management functions or make management decisions.~~

~~A member should be satisfied that the client understands its responsibility for establishing and maintaining internal control and directing the internal audit function, if any. As part of its responsibility to establish and maintain internal control, management monitors~~

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~~internal control to assess the quality of its performance over time. Monitoring can be accomplished through ongoing activities, separate evaluations or a combination of both.~~

~~Ongoing monitoring activities are the procedures designed to assess the quality of internal control performance over time and that are built into the normal recurring activities of an entity and include regular management and supervisory activities, comparisons, reconciliations and other routine actions. Separate evaluations focus on the continued effectiveness of a client's internal control. A member's independence would not be impaired by the performance of separate evaluations of the effectiveness of a client's internal control, including separate evaluations of the client's ongoing monitoring activities.~~

~~The member should understand that, with respect to the internal audit function, the client is responsible for—~~

- ~~• Designating a competent individual or individuals, preferably within senior management, to be responsible for the internal audit function~~
- ~~• Determining the scope, risk and frequency of internal audit activities, including those to be performed by the member providing extended audit services~~
- ~~• Evaluating the findings and results arising from the internal audit activities, including those performed by the member providing extended audit services~~
- ~~• Evaluating the adequacy of the audit procedures performed and the findings resulting from the performance of those procedures by, among other things, obtaining reports from the member~~

~~The member should be satisfied that the board of directors and/or audit committee is informed of roles and responsibilities of both client management and the member with respect to the engagement to provide extended audit services as a basis for the board of directors and/or audit committee to establish guidelines for both management and the member to follow in carrying out these responsibilities and monitoring how well the respective responsibilities have been met.~~

~~The member should be responsible for performing the audit procedures in accordance with the terms of the engagement and reporting thereon. The day to day performance of the audit procedures should be directed, reviewed, and supervised by the member. The report should include information that allows the individual responsible for the internal audit function to evaluate the adequacy of the audit procedures performed and the findings resulting from the performance of those procedures. This report may include recommendations for improvements in systems, processes, and procedures. The member may assist the individual responsible for the internal audit function in performing preliminary audit risk assessments, preparing audit plans, and recommending audit priorities. However, the member should not undertake any responsibilities that are~~

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~~required, as described above, to be performed by the individual responsible for the internal audit function.~~

~~Performing procedures that are generally of the type considered to be extensions of the member's audit scope applied in the audit of the client's financial statements, such as confirming of accounts receivable and analyzing fluctuations in account balances, would not impair the independence even if the extent of such testing exceeds that required by generally accepted auditing standards.~~

~~The following are examples of activities that, if performed as part of an extended audit service, would be considered to impair independence:~~

- ~~• 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~~
- ~~• Determining which, if any, recommendations for improving the internal control system should be implemented~~
- ~~• Reporting to the board of directors or audit committee on behalf of management or the individual responsible for the internal audit function~~
- ~~• Authorizing, executing, or consummating transactions or otherwise exercising authority on behalf of the client~~
- ~~• Preparing source documents on transactions~~
- ~~• Having custody of assets~~
- ~~• 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~~
- ~~• 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)~~

~~The foregoing list is not intended to be all inclusive.~~

[Effective Date: December 31, 2003]

ETHICS RULING 104 UNDER RULE 101: Operational Auditing Services

~~.208 Question—As part of an extended audit engagement, a member or his or her firm reviews certain of the client's business processes, as selected by the client, for how well they function, their efficiency, or their effectiveness. For example, a member (or the firm) may assess whether performance is in compliance with management's policies and procedures, to identify opportunities for improvement, and to develop recommendations for improvement or further action for management consideration and decision making. Would independence be considered to be impaired in performing such services?~~

~~.209 Answer—Independence would not be considered to be impaired provided that during the course of the review the member (and other members of his or her firm) is not employed by the client and does not act or appear to act in any capacity equivalent to that of a member of client management. The decision as to whether any of the member's (or the firm's) recommendations will be implemented must rest entirely with management.~~

[Effective Date: December 31, 2003]

ETHICS RULING 105 UNDER RULE 101: Frequency of Extended Audit Procedures

105. Frequency of Performance of Extended Audit Procedures

~~.210 Question—In providing extended audit services, would the frequency with which a member or his or her firm performs an audit procedure impair independence?~~

~~.211 Answer—Independence would not be considered to be impaired provided that the member's (or the firm's) activities have been limited in a manner consistent with interpretation 101-13 [~~ET section 101.15~~] and the procedures performed constituted separate evaluations of the effectiveness of the ongoing control and monitoring activities/procedures that are built into the client's normal recurring activities.~~

[Effective Date: December 31, 2003]