

## Featured Headline



## September 2015

### International Update



The next International Ethics Standards Board for Accountants (IESBA) meeting is scheduled for September 15-16, 2015 in New York City. [Agenda materials and minutes](#) for current and past IESBA meetings are available on the IESBA's website.

A [summary](#) of the key discussions from the IESBA June/July 2015 meeting is available. Among other items, the IESBA considered significant comments related to its exposure drafts on the following:

- Proposed Changes to Certain Provisions of the Code Addressing the Long Association of Personnel with an Audit or Assurance Client.
- Proposed Changes to Part C of the Code Addressing Presentation of Information and Pressure to Breach the Fundamental Principles

### Conceptual Framework Toolkits Launched

Three separate toolkits are now available to assist members in the implementation of the Conceptual Frameworks and are specifically tailored for [members in business](#), [members in public practice](#) and members working through an [independence](#) matter.

Each toolkit includes the following:

- Steps of the conceptual framework to provide members with detailed guidance on how to apply the conceptual framework approach
- A flowchart that serves as a visual aid for breaking down the steps of the conceptual framework approach
- A worksheet to aid members with applying the steps of the conceptual framework. The macro enabled worksheet allows members to document their assessment and save the worksheet as a separate document
- Examples of relationships or circumstances that are not addressed in the AICPA code and how the conceptual framework may be applied in such situations

### Other Headlines

#### Ethical Tax Standards

Tax practitioners are making ethical decisions every single day whether they realize it or not. One of the challenges in making ethical decisions is

### Headlines - Standard Setting and More

#### Firm Mergers and Acquisition Interpretation Adopted

This [new independence interpretation](#) provides guidance to members in

situations where independence with respect to an attest client may become impaired as a result of a firm merger or acquisition. The guidance would apply when either (1) a member's firm merges with or acquires another firm or entity or all or part of the business thereof or (2) a member's firm, or all or part of the business thereof, is merged with or acquired by another firm. The interpretation focuses on two types of relationships that could impair independence: employment or association with an attest client and the provision of nonattest services that would impair independence.

The interpretation will be added to the code in October 2015 and is effective for mergers or acquisitions with closing dates on or after January 31, 2016. Early implementation is allowed.

### **Affiliate Definition - Revision Adopted**

This [revised definition](#) clarifies that entities that participate on the board of trustees of a multiemployer benefit plan can potentially have significant influence over the plan and as such, when the financial statement attest client is a multiemployer plan, entities such as the union, participating employers, and group associations will be considered an affiliate of the plan when (1) the plan is material to that entity, and (2) that entity has significant influence over the plan through its participation in the plan's governing board.

The revised definition also clarifies that when the financial statement attest client is a participating employer, multiemployer benefit plans in which its employees participate will be considered an affiliate of the participating employer if (1) the plan is material to the participating employer and (2) the participating employer has significant influence over the plan through its participation in the plan's governing board.

The revised definition also clarifies that when a participating employer is the plan administrator of a multiple employer employee benefit plan financial statement attest client, it will be considered to have significant influence over the plan and as such be considered an affiliate of the plan.

### **On The Horizon**

The Professional Ethics Executive Committee has a number of active standard setting projects. Two projects are nearing the exposure draft stage. One such project is to develop guidance related to a member's obligations concerning the confidentiality and return of client files when the member either sells or discontinues his or her practice or the member acquires a practice. The other project is to clarify the definition of "client."

The remaining four active standard setting projects are still in the research stage. These projects are as follows:

- Identify any updates necessary to the nonattest services subtopic in light of current information technology (including cloud) service offerings by members.
- Identify areas in the code that have significant differences from the state boards' rules and determine if the PEEC should reconsider the guidance in these areas.
- Analyze whether the prohibitions in the commission and contingent fee rules should be expanded to cover all attest clients and whether permitted commissions should require written disclosure to a client. This task force will also consider the continued appropriateness of the duration of the prohibition and whether any additional safeguards are needed for circumstances in which commissions and contingent fees are permitted.

that practitioners rarely know they are entering into a muddy area until they get stuck. It is often visible only when the situation has escalated to the consequence phase. The key is to stay alert to potential issues, prepare in advance wherever possible, and stop and take corrective action as soon as an issue is discovered.

The AICPA Tax Practice Responsibilities Committee has recently released the following three resources to assist members:

### **[Overview of the Federally Authorized Tax Practitioner — Client Privilege Under IRC Sec. 7525](#)**

Practice guide explaining the federally authorized tax practitioner—client privilege pursuant to section 7525, Confidentiality Privileges Related to Taxpayer Communications.

### **[Guidelines for Conflicts of Interest in the Performance of Federal Tax Services](#)**

Practice guide to assist CPA tax practitioners in identifying where possible conflicts arise and measures to minimize risk.

### **[Due Diligence in Tax Services](#)**

Practice guide delivering guidance as to what due diligence consists of in the context of tax services.

In addition to downloading these resources, members who provide tax services should create a bookmark for the [AICPA Tax Ethics & Professional Standards](#) website. Regular visits either to seek new information or refresh existing knowledge will keep the matters top of mind.

Anyone wishing to hear Jina deliver the presentation on identifying bad clients may register for the Sept. 30 webcast on [Managing Toxic Clients: When to Rehabilitate vs. Terminate](#).

- Determine whether the "Entities Included In State and Local Government Financial Statements" interpretation [1.224.020] should (1) incorporate the threats and safeguard approach; (2) clarify who at the firm and which immediate family members the interpretation should extend to; (3) contain any exceptions and also whether the final guidance should be extended to the federal government environment

### Electronic Records In Tax Engagements

Sample - Client Provided Records	
25,000	2,000
4,000	500
4,800	5,000
33,800	7,500

- Balance Sheet and Income Statement
- Unadjusted Trial Balance
- Third-Party Tax Forms, such as 1099 series (MISC, DIV, INT, etc.)
- Original Receipts or Substantiation Logs
- Payroll or Sales Tax Reporting Returns

---

Sample - Member's Working Papers	
Adjusted Trial Balance	
Scan or Copy of Client Records with Footing and Notes	
Results of Research, Notes to File and Calculations	

---

Sample - Member Prepared Records	
Tax Return Grouping Schedules	
Book and Tax Adjusting Entries (Schedule M Support)	
Depreciation Schedules, Carryover Schedules	

The ethics division issued [three new Q&As](#) that provide guidance on whether certain tax records such as electronic data files, account grouping schedules, depreciation schedules, carryover schedules, and adjusting entries are considered to be a member's working paper or a member-prepared records as defined in the "[Records Requests](#)" interpretation and whether they need to be provided to the client upon request.

### Required Supplementary Information in Historical Prior Periods and Auditor Independence of the Entity

A [Technical Q&A](#) was issued in August addressing the issue of whether or not the auditor needed to be independent of the entity during the back years covered by the RSI (required supplementary information). The Q&A concludes that the auditor would not need to be independent during the back years provided the auditor's opinion does not cover the RSI.

### Future Meetings

The next PEEC meetings will be held on

- October 29-30, 2015 (Laguna, CA)
- February 4-5, 2016 (New Orleans)
- May 5-6, 2016 (Durham)

Interested parties are encouraged to attend the open meetings in person. Furthermore, the Professional Ethics Division maintains an open phone line so that interested parties can listen to PEEC's public meetings via telephone. Anyone interested in attending a meeting in person or via conference call should contact [egoria@aicpa.org](mailto:egoria@aicpa.org).

.....  
If you have additional questions, contact Ellen Gorla, CPA, CGMA at [egoria@aicpa.org](mailto:egoria@aicpa.org)

You are Subscribed to AICPA Ethically Speaking Mailing List  
[Manage Your Preferences](#) | [Unsubscribe](#) | [Add to Address Book](#)  
[Privacy Policy](#) | [Contact Us](#)

American Institute of Certified Public Accountants, 220 Leigh Farm Road, Durham, NC 27707-8110

