



AICPA Professional Ethics Division: Strategy and Work Plan for 2021-2023

November 25, 2020

Prepared by the AICPA Professional Ethics Executive Committee.

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New York, NY 10036-8775*

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Introduction

This document sets out the Professional Ethics Division's strategy and work plan (SWP) for the years 2021 through 2023. The SWP outlines the standard-setting projects the Professional Ethics Executive Committee (PEEC) plans to begin and the member enrichment projects the Professional Ethics Division (division) staff will undertake.

Potential projects were identified through member enrichment activities, such as the ethics hotline, and outreach to PEEC members and other stakeholders. PEEC issued a formal consultation paper seeking feedback from members and other interested parties on identified potential projects as well as other projects for PEEC's consideration. After the comments were analyzed, PEEC developed the SWP that follows.

The SWP is an accumulation of the feedback received taking into consideration:

- Prevalent issues in the profession
- Benefit to the public interest
- Technological change
- Changes in auditing and accounting standards
- Education and tools to assist members
- Degree of urgency in addressing matters
- Social and economic trends due to the pandemic
- Feasibility of undertaking a project due to its nature.

International convergence projects

Possible projects that need to be undertaken to converge with new or revised IESBA standards are not reflected in this document. The possible projects that are under consideration include:

- Role and mindset
- Engagement quality reviewer
- Non-assurance services
- Fees
- Definitions of listed entity and public interest entity
- Engagement team – group audits independence
- Tax planning and related services
- Technology

Standard-setting projects

Standard-setting projects involve promulgating new or revising existing interpretations. Since these projects can result in authoritative changes to the *Code of Professional Conduct (code)*, they follow a prescribed due process. This process includes, among other steps, discussion during PEEC's quarterly meeting sessions that are open to the public. Agenda materials and minutes related to these projects are available on the [division's website](#).

New or revised interpretations resulting from standard-setting projects must first be exposed for public comment in the form of an exposure draft. For an exposure draft to be issued, the proposal must be approved by a two-thirds majority of the voting PEEC members. Exposure drafts are available on the division's website and are publicized in AICPA publications such as *The Journal of Accountancy*. The typical comment period in which members and other interested parties may submit comments is sixty days.

After exposure, PEEC considers all comments received and a two-thirds majority of the voting PEEC members must agree to adopt the proposal.

Member enrichment projects

Member enrichment projects do not follow the same process since the guidance issued is not authoritative. While PEEC may be consulted on some member enrichment projects, the results of these projects are staff documents designed to assist members and other interested parties with understanding and applying the code. Member enrichment projects include, among other things, the development of articles, podcasts, toolkits and frequently asked questions and answers.

New standard-setting projects

529 college savings plans

In 2005, PEEC developed guidance for 529 college savings plans. This guidance concluded that a covered member who is an account owner has a direct financial interest in the plan as well as in the underlying investments held by the plan because the account owner elects which sponsor's 529 college savings plan to invest in, and prior to making the investment decision, the covered member has access to information about the plan's investment options or funds.

The consultation paper indicated that PEEC was informed that the underlying securities are not always known by account owners when they invest in these plans and sought feedback related to challenges encountered by members and whether a project should be undertaken to re-evaluate the guidance.

Most of the commenters support this project due to the difficult nature of monitoring the underlying investments of these plans. A task force will be formed to understand the monitoring challenges and to determine how to address the independence concerns raised by investing/participating in 529 college savings plans.

Timing

The project is scheduled to begin in the first quarter of 2022.

Simultaneous employment or association with an attest client

The "Simultaneous Employment or Association with an Attest Client" interpretation (1.275.005) prohibits all partners and professional employees of the firm from being employed by or associated with an attest client. The interpretation includes two very specific exceptions, one for adjunct faculty members of an educational institution and another for members in a government audit organization.

The consultation paper sought feedback on whether a project should be undertaken to determine if there should be other exceptions. One such exception suggested in the consultation paper was whether a partner or professional employee could be simultaneously employed or associated with the U.S. Army if the firm audited the U.S. Army.

Most of the commenters support this project, recommending a principles-based approach, limiting the interpretation to covered members or making an exception for military services. A task force will be formed to determine whether there should be an exception for military personnel and whether there should be other exceptions to the subtopic "Current Employment or Association with an Attest Client" (1.275).

Timing

The project is scheduled to begin in the first quarter of 2022.

Business relationships

Business relationships have changed since the "Cooperative Arrangements with Attest Clients" interpretation (1.265.010) under the "Independence Rule" (1.200.001) was first adopted in 1993. In addition, firms are engaging in business relationships with nonattest clients (e.g., finance and

accounting outsourcing) that may create threats to compliance with the “Integrity and Objectivity Rule” (1.100.001).

The consultation paper sought feedback on what business relationships firms have with either nonattest or attest clients and whether the code should be updated to better reflect the types of business relationships in which members are currently involved.

Most of the commenters support this project and encourage PEEC to consider consistency with the U.S. Securities and Exchange Commission (SEC) when developing the guidance. A task force will be formed to determine the types of business relationships members have with attest clients, the nature of those relationships and additional safeguards that may be necessary to protect independence, integrity and objectivity.

Timing

The project is scheduled to begin in the first quarter of 2022.

Client affiliates

The definition of an “affiliate” currently extends to common ownership by entities and not common ownership by individuals.

The consultation paper indicated that there are frequent inquiries regarding whether entities that are owned by the same individual should be considered affiliates. The consultation paper sought feedback on how firms currently apply guidance related to the affiliate definition in a situation when entities are owned by the same individual and what additional guidance related to client affiliates, if any, would be helpful.

Most of the commenters support this project, recommending clarifying the definition of “affiliate”. Based on the analysis of the feedback provided, there is inconsistency in how current guidance is applied. A task force will be formed to determine if the guidance should be applied to individuals and if there are any other aspects of the client affiliate interpretation that need clarification.

Timing

The project is scheduled to begin in the third quarter of 2021.

Unpaid fees¹

The “Unpaid Fees” interpretation (1.230.010) concludes that independence is impaired when a covered member has unpaid fees, regardless of the amount, from an attest client for any previously rendered professional service provided more than one year prior to the date of the current year report.

The consultation paper sought feedback on whether a project should be undertaken to determine whether there is a threshold where threats to independence from unpaid fees could be at an acceptable level.

The commenters are evenly split, recommending alignment with the International Ethics Standards Board for Accountants (IESBA) or highlighting potential challenges in defining trivial fees. A task force will be formed to develop a framework for members to determine whether unpaid fees are, in substance, equivalent to a loan. Further, given the current situation related to

¹ PEEC changed the name of the project from “De minimis fees” to “Unpaid Fees”.

the COVID-19 pandemic, the task force will consider whether a bright line of one year is appropriate.

Timing

The project is scheduled to begin in the second quarter of 2021.

Digital assets

The code does not provide any guidance specific to independence threats or other ethics issues when members own or mine digital assets such as cryptocurrencies.

The consultation paper sought feedback on whether a project should be undertaken to understand independence and ethics issues unique to the digital asset ecosystem.

Most of the commenters support this project and recommend PEEC determine whether ownership of digital assets should be addressed under the “Financial Interests” subtopic (1.240). A task force will be formed to develop guidance regarding how the ownership of digital assets should be treated.

Timing

The project is scheduled to begin in the third quarter of 2021.

Assisting clients with implementing accounting standards (other matters)

When practitioners provide nonattest services to their attest clients, they should refer to the “Nonattest Services” subtopic (1.295). However, there is no interpretation that specifically addresses assisting clients with implementing accounting standards.

In addition to seeking feedback on specific projects, the consultation paper sought comments on other matters. Two commenters recommend considering whether enough guidance exists around the ethical implications when members assist their attest clients with the implementation of new accounting standards.

As accounting standards continue to increase in complexity, it is challenging for middle market companies to keep up with the implementation issues of new standards. Therefore, these entities engage practitioners for assistance with implementation. A task force will be formed to develop additional guidance related to threats and safeguards associated with assisting clients with implementing new accounting standards.

Timing

The project is scheduled to begin in the first quarter of 2021.

New member enrichment projects

Definition of “office”

In 2001, PEEC revised the definition of “office”, which identifies which individuals need to remain independent of attest clients. The current definition of “office” highlights that substance should govern the office classification, and personnel interactions and assigned reporting channels are more important than physical location.

Since 2001, there have been many changes to how accounting firms practice, which may require changes in how offices are viewed. The consultation paper sought feedback on whether a project should be undertaken to update the definition of “office” to better reflect these changes in practice.

Most of the commenters support the project, recommending considering relevance of physical offices and virtual offices.

Since the office definition stipulates that substance over form should govern classification, a member enrichment project will be undertaken to provide non-authoritative guidance given the relevance of physical and virtual offices.

Timing

The project is scheduled to begin in the fourth quarter of 2020.

Artificial intelligence

Artificial intelligence (AI) is technology that performs decision-based tasks previously performed by humans. AI presents a huge opportunity for CPAs, but reliance on new technology could create threats to compliance with the code. The code does not provide any guidance specific to independence threats or other ethics issues when members utilize artificial intelligence to provide professional services.

The consultation paper sought feedback on whether a project should be undertaken to understand ethics issues unique to the use of AI while providing professional services and whether guidance should be developed to address those unique challenges.

Most of the commenters support the project and provide examples of threats related to reliance on artificial intelligence (e.g., uninformed reliance on AI could threaten a member’s objectivity). Some commenters believe it may be premature to develop authoritative guidance to address any ethics implications or that the matter should be first addressed by the Auditing Standards Board. A member enrichment project will be undertaken to create awareness of the various threats related to the use of AI.

Timing

The project is scheduled to begin in the third quarter of 2022.

Conflicts of interest

The “Conflicts of Interest” subtopic (1.110) indicates that a member should use professional judgement to determine whether a professional service, relationship or matter would result in a conflict of interest.

The consultation paper indicated that there are an increased number of inquiries regarding conflicts of interest and sought feedback on what additional guidance would be helpful to assist members with better understanding and applying the conflicts of interest interpretations.

Most of the commenters indicate that they believe there is enough existing guidance, but they support the project due to the increased number of inquiries.

The content of the inquiries will be analyzed and member enrichment materials will be developed to raise awareness of conflicts of interest.

Timing

The project is scheduled to begin in the second quarter of 2022.

Operational enhancements to the code

The consultation paper sought feedback on what operational enhancements should be made to the code to make it more user-friendly.

All commenters support the project, making various recommendations such as enhanced visibility of member enrichment content, streamlining the landing page for the online code and providing updated on-demand training on how to use the online code.

Following is a summary of the member enrichment projects to address these recommendations:

Enhanced Visibility of Member Enrichment Materials: FAQs and certain other appropriate member enrichment content will be moved to the online platform. For member enrichment content that can't be moved to the online platform, a link will be created from the platform to the content. The FAQs will be added to the AICPA publication “Technical Questions and Answers”. Completion is estimated by the end of the fourth quarter of 2020.

Streamlining of Online Code Landing Page: Division staff will work with the development team to reduce the “AICPA Online Professional Library” banner in the online code to optimize space. The timing of this project has not yet been finalized.

Updated on-demand training on how to use the online code: An updated video tutorial will be developed on how to use the code and the online interface will be linked to the video. The timing of this project has not yet been finalized.

Protecting client confidentiality and data security

The primary focus of information security is the balanced protection of the confidentiality, integrity, and availability of data while maintaining efficient policy implementation and without disrupting organizational productivity.

The consultation paper sought feedback on whether a standard-setting project should be undertaken to assist members with understanding their ethical responsibilities in the area of data security and breaches.

Most of the commenters did not support this project, noting that new guidance will be hard to monitor due to rapidly changing laws and regulations. There has been a change of circumstances since the comments were received. Due to the COVID-19 pandemic, the requirement to quarantine forced many accounting firms and their clients to work remotely. As firms continue adapting to the new way of working, it is important for them to review the steps they take to protect the confidentiality of data. A member enrichment project will be undertaken to provide non-authoritative guidance to increase data security awareness due to increased risks of intentional or unintentional disclosure of confidential information.

Timing

The project is scheduled to begin in the fourth quarter of 2020.

Gig employment

The gig economy is based on flexible or temporary jobs where a gig worker is engaged to perform an agreed-upon task. As the gig economy continues to grow, its impact on the world of business is also increasing.

Professional employees of a firm should comply with certain interpretations of the code (e.g., the “Considering or Subsequent Employment or Association with an Attest Client” subtopic (1.279)). However, there is no guidance that specifically addresses whether gig workers are considered to be professional employees.

A member enrichment project will be undertaken to assist members in determining whether gig workers are considered to be professional employees, and therefore, should comply with the applicable interpretations of the code.

Timing

The project is scheduled to begin in the first quarter of 2023.

New services

Modern companies may outsource a key component of their business model to a third party, and that organization’s third-party relationships may pose various risks. Companies must evaluate the risks to ensure consistent and thorough protection of sensitive information. In relation to this trend, CPAs are being asked to perform new types of services. For example, CPAs may be asked to perform third-party assessments, or CPAs may design and develop a financial information system and then sell the system to a third party who in turn leases or sells the system to others, including an audit client of the firm that designed and developed the system.

A member enrichment project will be undertaken to evaluate what provisions of the code apply when certain services are rendered and whether any rules and interpretations should be

updated to ensure the code is fit for purpose to be able to support the professional performing these services in a manner that protects the public interest.

Timing

The project is scheduled to begin in the first quarter of 2021.

Other project

Reporting of an independence breach to an affiliate that is also an attest client

The “Breach of an Independence Interpretation” interpretation (1.298.010) requires the responsible individual to inform those charged with governance as soon as practicable if the responsible individual determines that action cannot be taken to satisfactorily address the consequences of the breach.

The consultation paper sought feedback on whether a project should be undertaken to determine whether members can use judgement about when or if they need to communicate a breach to sister and downstream affiliates that are also attest clients.

Most of the commenters do not support the project, indicating that there is enough existing guidance. However, they express different opinions regarding whether reporting of an independence breach to an affiliate that is also an attest client is required.

Due to inconsistency in how existing guidance is applied, a task force will be formed to develop guidance to assist members in determining when a breach extends to affiliate entities that are also attest clients of the firm. The task force will determine whether this project should be undertaken as a member enrichment or standard-setting project.

Timing

The project is scheduled to begin in the first quarter of 2022.

Exhibit A — Current projects

Standard-setting projects

Records requests

On May 1, 2020 an [exposure draft](#) was issued wherein PEEC proposed revisions to the “Records Requests” interpretation (1.400.200) regarding charging clients fees for copying, shipping, and retrieval information.

Timing

Comments were due September 30, 2020 and projected project completion is the first quarter of 2021.

Staff augmentation arrangements

PEEC’s staff augmentation arrangements task force is determining whether the code should address loaned staff arrangements.

Timing

Comments are due December 8, 2020 and projected project completion is the second quarter of 2021.

Responding to non-compliance with laws and regulations (NOCLAR)

PEEC’s NOCLAR task force is reviewing the IESBA’s standard *Responding to Non-Compliance with Laws and Regulations* and will be recommending revisions to the code for purposes of convergence.

Timing

This project is underway. The estimated completion date is undetermined.

Compliance audit affiliates

This task force will determine whether and if so, how the “State and Local Government Client Affiliates” interpretation (1.224.020) adopted in 2019 should be extended to the single audit environment. The task force will consider situations where the auditor is only engaged to perform the single audit for a financial statement attest client (and not the financial statement audit), and also consider whether there are situations when an affiliate of a financial statement attest client would not require the auditor’s independence as part of the single audit, which may occur when the auditor only performs a portion of the single audit. The task force will consider whether its recommendations are best conveyed in the code or as member enrichment materials.

Timing

This project is underway with estimated completion during the fourth quarter of 2021.

Statements on standards for attestation engagements (SSAE)

This task force will determine whether the modifications to the independence rule should be applied when the SSAE report is not restricted in use. The task force will also identify what independence interpretations use financial statement factors and determine how that guidance should be applied when the attest engagement is not a financial statement attest engagement. The task force will coordinate with Auditing Standards Board staff regarding the adequacy of the

code's definition of "client" and "attest client" for members who are applying the SSAEs, since the SSAEs do not define "client".

Timing

This project is scheduled to begin in 2020 with estimated completion during the fourth quarter of 2021.

Member enrichment projects

Inducements

The project team is developing a practice aid to assist members with understanding actions that could influence behavior that may compromise professional integrity and objectivity.

Timing

This project is underway with estimated completion during the first quarter of 2021.

Information system services

The project team is developing guidance to assist members with implementing the “Information System Services” interpretation (1.295.145).

Timing

This project is underway with estimated completion during the third quarter of 2021.

“Back to Basics” educational podcast series

This podcast series will focus on educating members about their ethical responsibilities. Episodes will include, among other topics, re-evaluating independence when accepting or continuing an engagement and raising awareness of resources available on engagement acceptance and continuance, internal control, including test of controls over compliance, and risk assessment and response.

Timing

This project is scheduled to begin in the first quarter of 2021 with estimated completion during the third quarter of 2021.

IESBA comparison

Given the restructure of the IESBA Code of Ethics for Professional Accountants (IESBA code), the project team will compare the AICPA code to the IESBA code and identify where the AICPA code is less restrictive than the IESBA code. Consideration will be given to including a convergence matrix within this document to assist members in understanding where the AICPA addresses the IESBA topics more robustly in non-authoritative guidance. The International Federation of Accountants (IFAC) Convergence and Monitoring Task Force will work closely with the project team to identify areas where it believes standard-setting may be necessary for convergence.

Timing

In July 2020 the IESBA announced its [Benchmarking Initiative](#) which will compare the International Independence Standards that are applicable to PIEs to the relevant independence requirements that apply in major jurisdictions, starting first with the SEC. The timing of this project will be reassessed after the IESBA’s March 2021 meeting.

Hosting services

Publications and teams that develop engagement letter templates will be identified and the project team will seek opportunities to incorporate additional information highlighting nonattest services requirements, including an acknowledgement that the firm is not responsible for hosting the clients’ data or records.

Timing

This project is scheduled to begin in the first quarter of 2021 with estimated completion during the fourth quarter of 2021.

Department of Labor reporting standard

Content or communications will be developed to raise awareness of the change in reporting.

Timing

This project is scheduled to begin in the first quarter of 2021 and the completion date is undetermined.

Chartered Global Management Accountant (CGMA) code updates

The project team will determine what revisions need to be made to the CGMA code for alignment with the Chartered Institute of Management Accountants (CIMA) and AICPA codes.

Timing

This project is scheduled to begin in 2020 with estimated completion during the second quarter of 2021.

SEC exposure draft

In January 2020, the SEC published its proposal to update auditor independence rules (Rule 2-01) in the Federal Register. Division staff developed an impact analysis to assist PEEC with drafting a comment letter to the SEC proposal. Based upon the final revised SEC rules, the PEEC will determine what changes, if any, should be made to the AICPA code, especially in areas that the AICPA code appears more restrictive.

Timing

The SEC issued its final rules in October 2020. The final rules are effective 180 days after published in the Federal Register. Once published, firms may implement early. Since there are some areas where it appears the SEC's final rules will be less restrictive than the AICPA Code of Professional Conduct, PEEC appointed a task force to determine what, if any, changes should be made to the AICPA code. This project is scheduled to begin in 2020 with estimated completion during the third quarter of 2021.

Statements on standards for tax services (SSTS)

The tax team's project to revise the SSTS is being monitored. Once the standards are revised, the project team will determine if any member enrichment materials would be helpful.

Timing

The timing of this project is subject to the issuance of the final revised SSTS.