



Professional Ethics Division

Nonattest services toolkit

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Member enrichment

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Introduction

The provision of nonattest services to attest clients gives rise to threats to independence. The interpretations of the “[Nonattest Services](#)” subtopic (ET sec. 1.295)¹ of the “Independence Rule” (ET sec. 1.200.001) provide guidance on when nonattest services could or would impair independence. This nonauthoritative tool is designed to assist members in understanding the independence requirements related to providing nonattest services and with evaluating threats to independence when providing these services.

This toolkit does not provide authoritative guidance and should be used in conjunction with the applicable interpretations of the “Nonattest Services” subtopic. Specifically, this toolkit includes the following:

- Overview of independence considerations when providing nonattest services to an attest client
- Flowchart that illustrates the steps to evaluating independence when providing certain nonattest services
- A checklist to aid members with evaluating whether independence would be impaired under the interpretations of the “Nonattest Services” subtopic of the “Independence Rule”

The first instance of terms defined by the AICPA Code of Professional Conduct (code) are linked to the definition in the code.



The answers to frequently asked questions (FAQs) related to independence when providing nonattest services are available in [Q&A sections 200–280](#). The FAQs are not rules or interpretations of the Professional Ethics Executive Committee and, therefore, are not authoritative guidance.

¹ ET sections referenced throughout this toolkit can be found in AICPA *Professional Standards*.

Nonattest services

Nonattest services are services provided to a **client** that are not specifically related to the performance of an attest engagement. For example, nonattest services include activities such as financial statement preparation, cash to accrual conversions, reconciliations, and tax return preparation. If you perform nonattest services for an **attest client**, the “**Independence Rule**” and related interpretations (rules) impose limits on the nature and scope of the services you may provide. In other words, the extent to which you perform certain activities may be limited by the rules or you may be required to apply **safeguards** to not **impair** your independence when providing certain nonattest services.

Conceptual framework for independence

If the nonattest service is not specifically addressed in the AICPA Code of Professional Conduct (code), you should first evaluate the service using the “**Conceptual Framework for Independence**” (ET sec. 1.210.010) (framework) to determine whether the service would impair independence even if the general requirements (which are discussed next) can be applied.

The framework cannot be used to overcome a prohibition or other requirement of the code. The framework incorporates a “threats and safeguards” approach, which is designed to assist members in analyzing relationships and circumstances that the code does not specifically address and in determining whether such relationships or circumstances may result in the violation of the rules.

For those unfamiliar with how to implement and use the framework, we developed the **Conceptual Framework Toolkit for Independence**. The toolkit includes, among other things, a worksheet to aid with applying the steps of the conceptual framework that could also be used to satisfy the documentation requirement found in paragraph .09 in the framework.

General requirements

The “**General Requirements for Performing Nonattest Services**” interpretation (ET sec. 1.295.040) explains the required safeguards to be applied whenever **members** provide nonattest services to their attest clients. The general requirements are broken down into three main components.

The first general requirement explains that the attest client must agree to assume certain responsibilities related to the nonattest services engagement in order for independence to be maintained. Therefore, prior to agreeing to perform any nonattest services for the attest client, the *member* must obtain the attest client’s agreement that the attest client will do the following:

- a. Assume responsibilities as described in the “**Management Responsibilities**” interpretation (ET sec. 1.295.030) under the “Independence Rule.”

Examples of activities that would be considered management responsibilities can be found in ET section 1.295.030.

- b. Oversee the service by designating an individual, preferably within senior management, who possesses suitable skill, knowledge and experience. The member should assess and be satisfied that such individual understands the services to be performed sufficiently to oversee them but is not required to possess the expertise to perform or re-perform the services.
- c. Evaluate the adequacy and results of the services performed.
- d. Accept responsibility for the results of the services.

The second general requirement explains that one of the key principles underlying the AICPA rules on nonattest services is that you may not assume management responsibilities or even appear to assume management responsibilities. Management responsibilities involve leading and directing an entity, including making significant decisions regarding the acquisition, deployment, and control of human, financial, physical and intangible resources.

Consider the scope and scale, frequency, and duration of services to determine if the services have become part of the client's internal control and you have assumed a management responsibility.

The third component is a requirement that members establish and document in writing their understanding with the attest client. The following needs to be documented:

- The objectives of the engagement
- The services to be performed
- The attest client's acceptance of its responsibilities
- The member's responsibilities
- Any limitation of the engagement

Nonattest services that impair independence

The interpretations under the "Nonattest Services" subtopic include examples of nonattest services that impair independence even if the general requirements are met. For example, independence would be impaired if you were to perform an appraisal, a valuation, or an actuarial service for an attest client when (a) the services involve a significant degree of subjectivity and (b) the results of the service, individually or when combined with other valuation, appraisal, or actuarial services, are material to the attest client's **financial statements** (ET sec. 1.295.110) or if you were to provide expert witness services (ET sec. 1.295.140). As such, it is important to consult the "Nonattest Services" subtopic to ensure you are fully informed of all the various nonattest services that if performed would impair your independence.

More information related to some nonattest services addressed by the AICPA code may be found in the [*Plain English Guide to Independence*](#).

Cumulative effect

At times, the general requirements may not by themselves reduce **threats** to an **acceptable level**. One such circumstance is when the attest client asks you to perform multiple nonattest services. Although individually the nonattest services may not impair independence, you should evaluate the threats in the aggregate to ensure that the safeguards provided for in the “General Requirements for Performing Nonattest Services” interpretation continue to adequately reduce threats to an acceptable level. If the general requirements safeguards do not reduce threats to an acceptable level, you should determine whether additional safeguards can be applied to reduce threats to an acceptable level or whether threats are so significant that you should not perform the additional nonattest service.

Changes to engagement

Another issue that you may need to address is a change to your engagement that could require you to re-evaluate your independence. Changes in scope (scope creep), changes in client personnel, or changes to threats to independence are just some examples of events that could cause you to consider re-evaluating your independence. You should be alert to changes and re-evaluate your independence when appropriate throughout the **period of the professional engagement**.

Exceptions

Periods requiring independence

These nonattest services rules apply during the period of the professional engagement and during the period covered by the financial statements (to which the attest services relate).

A limited exception, however, exists in paragraph .03 of the “[Scope and Applicability of Nonattest Services](#)” interpretation (ET sec. 1.295.010). This exception explains that if you provide the entity with nonattest services that impair independence prior to the entity becoming an attest client, independence will not be considered impaired if the nonattest services related to periods prior to the period covered by the financial statements you are engaged to audit and those prior period financial statements were audited by another firm (or in the case of a review engagement, reviewed or audited by another firm).

Affiliate considerations

Although you are required by the “[Client Affiliates](#)” interpretation (ET sec. 1.224.010) to apply the “Independence Rule” and interpretations to [affiliates](#) of your [financial statement attest clients](#), there is some relief when it comes to nonattest services.

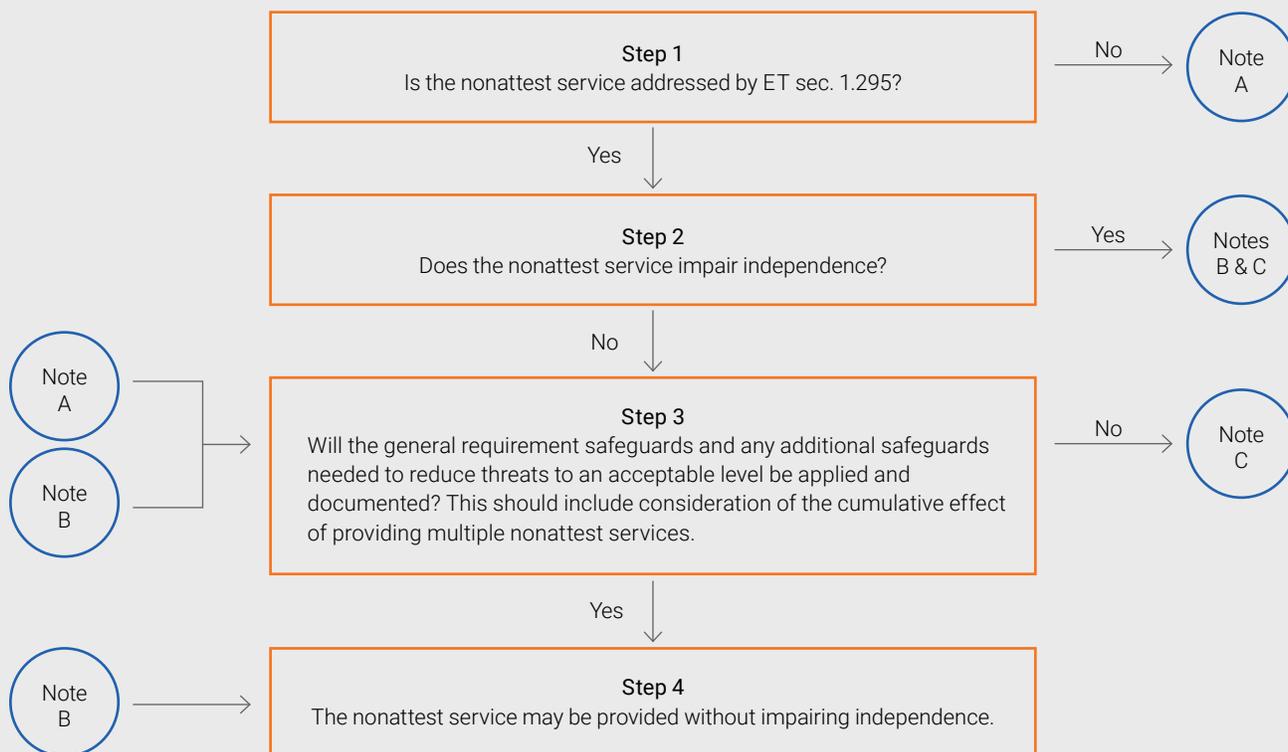
The first exception is that you may provide nonattest services that impair independence to certain affiliates if it is reasonable to conclude that the services do not create a self-review threat with respect to the financial statement attest client because the results of the nonattest services will not be subject to financial statement attest procedures.

The second exception relates to an acquisition or business combination that involves a financial statement attest client. Specifically, you could provide prohibited nonattest services to the acquirer of your financial statement attest client without impairing your independence provided (1) a financial statement attest client is acquired during the period of the professional engagement by either a non-client or a nonattest client (acquirer), (2) the attest engagement covers only periods prior to the acquisition, and (3) you or your firm will not continue to provide financial statement attest services to the acquirer.

Independence evaluation and monitoring flowchart

The following flowchart illustrates the steps in deciding whether a nonattest service that is addressed in the code will impair your independence. This flowchart does not consider the possible need to re-evaluate the threats due to changes to the engagement such as changes to the scope, changes in client personnel or changes to threats

to independence. The flowchart also does not incorporate steps to evaluate threats in the aggregate when you are providing multiple nonattest services (that is, cumulative effect) or situations in which the nonattest service is not specifically addressed in the code.



Note A: If the nonattest service is not specifically addressed in the code, you should first evaluate the service using the “[Conceptual Framework for Independence](#)” (ET sec. 1.210.010). The [Conceptual Framework Toolkit for Independence](#) is available to assist you with this analysis. If after conducting your evaluation, you determine safeguards can be applied to eliminate or reduce threats to an acceptable level, then proceed to step 3.

Note B: This flowchart does not outline the various exceptions that could be considered at this point. If the affiliate exception outlined in paragraph .02b of the “[Client Affiliate](#)” interpretation (ET sec. 1.224.010) is applicable, then proceed to step 3. If the period of the professional engagement exception outlined in paragraph .03 of the

“[Scope and Applicability of Nonattest Services](#)” interpretation (ET sec. 1.295.010) is applicable, or if the acquisition or business combination exception outlined in paragraphs .05–.10 of the “[Client Affiliate](#)” interpretation is applicable, then proceed to step 4.

Note C: Independence will be impaired if the nonattest service was provided. In lieu of declining the nonattest service engagement, you may want to consider whether the scope of nonattest service engagement could be changed so that threats would be at an acceptable level, whether the application of additional safeguards would eliminate or reduce threats to an acceptable level, or whether you would prefer to resign from the attest engagement.

Nonattest services checklist

1. What types of nonattest services will be performed for this attest client or for an [affiliate](#) of the financial statement attest client? (Check all that apply.)

- [Financial statement preparation](#) (1.295.010.06)
- [Cash to accrual conversions](#) (1.295.010.06)
- [Reconciliations](#) (1.295.010.06)
- [Advisory services](#) (1.295.105)
- [Appraisal, valuation, and actuarial services](#) (1.295.110)
- [Assisting attest clients with implementing accounting standards](#) (1.295.113)
- [Benefit plan administration](#) (1.295.115)
- [Bookkeeping, payroll, and other disbursements](#) (1.295.120)
- [Business risk consulting](#) (1.295.125)
- [Corporate finance consulting](#) (1.295.130)
- [Executive or employee recruiting](#) (1.295.135)
- [Forensic accounting](#) (1.295.140)
- [Hosting services](#) (1.295.143)
- [Information systems services](#) (1.295.145)
- [Internal audit](#) (1.295.150)
- [Investment advisory or management](#) (1.295.155)
- [Tax services](#) (1.295.160)
- Other:

Nonattest services checklist (continued)

2. Will any of the nonattest service(s) involve leading or directing the entity, including making significant decisions regarding the acquisition, deployment, and control of human, financial, physical, and intangible resources as described in the "[Management Responsibilities](#)" interpretation (ET sec. 1.295.030)? Yes No

Examples of such services include the following (check all that apply):

- Setting policy or strategic direction for the client
 - Directing or accepting responsibility for actions of the client's employees except to the extent permitted when using internal auditors to help with services performed under auditing or attestation standards
 - Authorizing, executing, or consummating transactions or otherwise exercising authority on behalf of a client or having the authority to do so
 - Preparing source documents, in electronic or other form, that evidence the occurrence of a transaction
 - Having custody of a client's assets
 - Deciding which recommendations of the member or other third parties to implement or prioritize
 - Reporting to those charged with governance on behalf of management
 - Serving as a client's stock transfer or escrow agent, registrar, general counsel or equivalent
 - Accepting responsibility for the management of a client's project
 - Accepting responsibility for the preparation and fair presentation of the client's financial statements in accordance with the applicable financial reporting framework
 - Accepting responsibility for designing, implementing, or maintaining internal control
 - Performing ongoing evaluations of the client's internal control as part of its monitoring activities
 - Other:
3. If the proposed nonattest service is not specifically addressed in the code, was the "[Conceptual Framework for Independence](#)" (ET sec. 1.210.010) applied to evaluate whether the service would impair independence?

- Yes, I evaluated the service using the "Conceptual Framework for Independence" and my working paper reference is

-
- This question is not applicable because the nonattest service is addressed in the code.

4. Will any of the nonattest service(s) impair independence under any of the interpretations discussed in questions 1 through 3?

- Yes, independence will be impaired.
- No, independence will not be impaired.

Nonattest services checklist (continued)

5. If you answered “Yes” to question 4, will any of the nonattest service(s) that impair independence meet the exceptions provided for in either paragraph .02b or .06–.10 of the “Client Affiliates” interpretation (ET sec. 1.224.010) or in paragraph .03 of the “Scope and Applicability of Nonattest Services” interpretation (ET sec. 1.295.010)?

- Yes, the service will meet the exception under paragraph .02b of the “Client Affiliate” interpretation.
- Yes, the service will meet the exceptions under paragraph .06–.10 of the “Client Affiliate” interpretation.
- Yes, the service will meet the exception under paragraph .03 of the “Scope and Applicability of Nonattest Services” interpretation.
- No, the service will not meet any of these exceptions.

If you answered “Yes,” proceed to question 6. If you answered “No,” independence is impaired and you can stop here.

6. Regarding the nonattest service(s) identified in question 1, has the attest client agreed to do the following before performing the nonattest service?

Agreement	Established before performing the nonattest service	If applicable, working paper reference
Assume all management responsibilities?	<input type="checkbox"/> Yes <input type="checkbox"/> No	_____
Oversee the service by designating an individual who possesses suitable skill, knowledge, and/or experience (SKE)?	<input type="checkbox"/> Yes <input type="checkbox"/> No	_____
Evaluate the adequacy and results of the services performed?	<input type="checkbox"/> Yes <input type="checkbox"/> No	_____
Accept responsibility for the results of the services?	<input type="checkbox"/> Yes <input type="checkbox"/> No	_____

If you answered “No,” independence is impaired and you can stop here.

7. For each nonattest service type identified in question 1, identify the following (attach additional sheets, if necessary):

Specific nonattest service	Individual in firm responsible	Individual at client overseeing
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

Nonattest services checklist (continued)

Describe SKE of client personnel identified

8. Were the following established and documented before performing each of the nonattest service(s)?

Understanding	Established and documented prior		Working paper reference
Objectives of the engagement?	<input type="checkbox"/> Yes	<input type="checkbox"/> No	_____
Services to be performed?	<input type="checkbox"/> Yes	<input type="checkbox"/> No	_____
Client's acceptance of their responsibilities?	<input type="checkbox"/> Yes	<input type="checkbox"/> No	_____
Firm responsibilities?	<input type="checkbox"/> Yes	<input type="checkbox"/> No	_____
Any limitations of the engagement?	<input type="checkbox"/> Yes	<input type="checkbox"/> No	_____

If you answered "No," because you did not establish the understanding before performing the nonattest service, you can stop here because independence is impaired. If you answered "No," because you failed to document the established understanding, you should do so now or risk being in violation of the "[Compliance With Standards Rule](#)" (ET sec. 1.310.001).

9. Were there any changes in the nonattest engagement that resulted in you reconsidering whether independence was affected?

- Yes, there was a change, but it did not affect independence.
- Yes, there was a change that affected independence, and I updated the checklist to reflect this change.
- No, there were no changes in the nonattest engagement.

The "[Cumulative Effect on Independence When Providing Multiple Nonattest Services](#)" interpretation (ET sec. 1.295.020) requires that before agreeing to perform nonattest services, the member should evaluate whether the performance of multiple nonattest services by the member or member's firm in the aggregate creates a significant threat to the member's independence that cannot be reduced to an acceptable level by the application of the safeguards in the "[General Requirements for Performing Nonattest Services](#)" interpretation (ET sec. 1.295.040). Accordingly, if multiple nonattest services were provided, answer questions 10–12.

Nonattest services checklist (continued)

10. When the performance of additional nonattest services in the aggregate creates significant threats, describe the considerations evaluated that resulted in this conclusion as well as the safeguards applied to reduce the threats to an acceptable level.

11. Did your evaluation in question 10 result in your concluding that the safeguards provided by the "[General Requirements for Performing Nonattest Services](#)" interpretation (ET sec. 1.295.040) did not reduce threats to an acceptable level? Yes No

12. If you concluded that additional safeguards were necessary (answered "Yes" to question 11), describe the additional safeguards applied to eliminate threats or reduce threats to an acceptable level.

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