

Terms defined in the AICPA Code of Professional Conduct are italicized the first time they appear. If you'd like to see the definitions, you can find them in "Definitions" ([ET sec. 0.400](#)).

Q&A Section 320, *Breach of an Independence Interpretation*

.01 Communication of an Independence Breach to Affiliates of an Attest Client That Are Also Attest Clients

Inquiry — Is it necessary to communicate an independence breach to *affiliates* of an *attest client* that are also attest clients of the *member* or member's *firm*?

Reply — It depends. If an independence breach at an attest client results in a breach at an attest client affiliate, communication of the breach to *those charged with governance* at the affiliate is necessary, as explained in the "Breach of an Independence Interpretation" interpretation (ET sec. 1.298.010).

If those charged with governance are not the same across all affected entities, members should refer to Q&A .03 in this section, "Communication and Confidentiality After an Independence Breach."

.02 Communication to Affiliates That Are Not Affected by an Independence Breach at an Attest Client

Inquiry — Is communication necessary to *affiliates* that are also *attest clients* if they are not affected by an *independence* breach at an attest client (that is, if the breach has not resulted in a breach at an affiliate)?

Reply — Communication to these affiliates is not necessary when the breach at an attest client does not affect the entities, even if *those charged with governance* are the same.

The focus is on providing information relevant to entities affected by the breach.

To avoid violating the "Confidential Client Information Rule" (ET sec. 1.700.001), *members* may direct affiliates to seek information from the affected main entity, without revealing any confidential client information.

.03 Communication and Confidentiality After an Independence Breach

Inquiry — Does communicating an *independence* breach to *affiliates* that are also *attest clients* violate the "Confidential Client Information Rule" (ET sec. 1.700.001)?

Reply — It depends on whether *those charged with governance* are the same for the entity and its affiliates:

- If they are the same, communicating an independence breach to affiliates that are also attest clients will not violate the "Confidential Client Information Rule."

- If they are different, you are required to comply with the “Breach of an Independence Interpretation” interpretation (ET sec. 1.298.010) and disclose the breach to those charged with governance of the affected entities. However, you should also be mindful of the “Confidential Client Information Rule” to make sure communication includes only information necessary for the affiliate to take appropriate action.

For example, you could obtain consent from the main entity where the breach occurred to communicate the nature of the breach to the affiliate or could refer the affiliate to those charged with governance at the main entity where the breach occurred or to an upstream entity that controls both.

.04 Manner of Communication After an Independence Breach

Inquiry — What type of communication should *those charged with governance* of *affiliates* that are also *attest clients* receive if they are affected by an *independence* breach?

Reply — Communication should be in writing to those charged with governance at each affected entity. “Affected” means the breach has resulted in a breach at an affiliate.

A single comprehensive letter may suffice if those charged with governance are the same across the entities. If a single letter is provided, each entity should be listed to ensure that those charged with governance clearly understand the consequences of the independence breach. Whether a single comprehensive letter or separate letters go to those charged with governance depends on your judgment and the circumstances of the situation.