Consulting Services

CS Section

STATEMENT ON STANDARDS FOR CONSULTING SERVICES

Statements on Standards for Consulting Services are issued by the AICPA Management Consulting Services Executive Committee, the senior technical committee of the Institute designated to issue pronouncements in connection with consulting services. Council has designated the AICPA Management Consulting Services Executive Committee as a body to establish professional standards under the “Compliance with Standards Rule” (ET sec. 1.310.001) of the Institute's Code of Professional Conduct (code). Members should be prepared to justify departures from this statement.

CS Section 100

Consulting Services: Definitions and Standards

Source: Statement on Standards for Consulting Services No. 1

Effective for engagements accepted on or after January 1, 1992, unless otherwise indicated.

Introduction

.01

Consulting services that CPAs provided to their clients have evolved from advice on accounting-related matters to a wide range of services involving diverse technical disciplines, industry knowledge, and consulting skills. Most practitioners, including those who provide audit and tax services, also provide business and management consulting services to their clients.

.02

Consulting services differ fundamentally from the CPA's function of attesting to the assertions of other parties. In an attest service, the practitioner expresses a conclusion about the reliability of a written assertion that is the responsibility of another party, the asserter. In a consulting service, the practitioner develops the findings, conclusions, and recommendations presented. The nature and scope of work is determined solely by the agreement between the practitioner and the client. Generally, the work is performed only for the use and benefit of the client.

.03

Historically, CPA consulting services have been commonly referred to as management consulting services, management advisory services, business advisory services, or management services. A series of Statements on Standards for Management Advisory Services (SSMASs) previously issued by the AICPA contained guidance on certain types of consulting services provided by members. This Statement on Standards for Consulting Services (SSCS) supersedes the SSMASs and provides standards of practice for a broader range of professional services, as described in paragraph .05.

.04

This SSCS and any subsequent SSCSs apply to any AICPA member holding out as a CPA while providing consulting services as defined herein.

Definitions

.05

Terms established for the purpose of SSCSs are as follows:

Consulting services practitioner. Any AICPA member holding out as a CPA while engaged in the performance of a Consulting Service for a client, or any other individual who is carrying out a Consulting Service for a client on behalf of any Institute member or member's firm holding out as a CPA.

Consulting process. The analytical approach and process applied in a Consulting Service. It typically involves some combination of activities relating to determination of client objective, fact-finding, definition of the problems or opportunities, evaluation of alternatives, formulation of proposed action, communication of results, implementation, and follow-up.

Consulting services. Professional services that employ the practitioner's technical skills, education, observations, experiences, and knowledge of the consulting process. [fn 1] Consulting services may include one or more of the following:

a. *Consultations*, in which the practitioner's function is to provide counsel in a short time frame, based mostly, if not entirely, on existing personal knowledge about the client, the circumstances, the technical matters involved, client representations, and the mutual intent of the parties. Examples of consultations are reviewing and commenting on a client-prepared business plan and suggesting computer software for further client investigation.

b. *Advisory services*, in which the practitioner's function is to develop findings, conclusions, and recommendations for client consideration and decision making. Examples of advisory services are an operational review and improvement study, analysis of an accounting system, assistance with strategic planning, and definition of requirements for an information system.

c. *Implementation services*, in which the practitioner's function is to put an action plan into effect. Client personnel and resources may be pooled with the practitioner's to

accomplish the implementation objectives. The practitioner is responsible to the client for the conduct and management of engagement activities. Examples of implementation services are providing computer system installation and support, executing steps to improve productivity, and assisting with the merger of organizations.

d. *Transaction services*, in which the practitioner's function is to provide services related to a specific client transaction, generally with a third party. Examples of transaction services are insolvency services, valuation services, preparation of information for obtaining financing, analysis of a potential merger or acquisition, and litigation services.

e. *Staff and other support services*, in which the practitioner's function is to provide appropriate staff and possibly other support to perform tasks specified by the client. The staff provided will be directed by the client as circumstances require. Examples of staff and other support services are data processing facilities management, computer programming, bankruptcy trusteeship, and controllership activities.

f. *Product services*, in which the practitioner's function is to provide the client with a product and associated professional services in support of the installation, use, or maintenance of the product. Examples of product services are the sale and delivery of packaged training programs, the sale and implementation of computer software, and the sale and installation of systems development methodologies.

Standards for Consulting Services

.06

The general standards of the profession are contained in the “General Standards Rule” of the code (ET sec. 1.300.001 and 2.300.001) and apply to all services performed by members. They are as follows:

- *Professional competence.* Undertake only those professional services that the member or the member's firm can reasonably expect to be completed with professional competence.
- *Due professional care.* Exercise due professional care in the performance of professional services.
- *Planning and supervision.* Adequately plan and supervise the performance of professional services.
- *Sufficient relevant data.* Obtain sufficient relevant data to afford a reasonable basis for conclusions or recommendations in relation to any professional services performed.

.07

The following additional general standards for all consulting services are promulgated to address the distinctive nature of consulting services in which the understanding with the client may establish

valid limitations on the practitioner's performance of services. These standards are established under the “Compliance with Standards Rule” of the code (ET sec. 1.310.001 and 2.310.001):

- *Client interest.* Serve the client interest by seeking to accomplish the objectives established by the understanding with the client while maintaining integrity and objectivity. fn 2
- *Understanding with client.* Establish with the client a written or oral understanding about the responsibilities of the parties and the nature, scope, and limitations of services to be performed, and modify the understanding if circumstances require a significant change during the engagement.
- *Communication with client.* Inform the client of (*a*) conflicts of interest that may occur pursuant to the “Integrity and Objectivity Rule” of the code (ET sec. 1.100.001 and 2.100.001), fn 3 (*b*) significant reservations concerning the scope or benefits of the engagement, and (*c*) significant engagement findings or events.

.08

Professional judgment must be used in applying Statements on Standards for Consulting Services in a specific instance because the oral or written understanding with the client may establish constraints within which services are to be provided. For example, the understanding with the client may limit the practitioner's effort with regard to gathering relevant data. The practitioner is not required to decline or withdraw from a consulting engagement when the agreed-upon scope of services includes such limitations.

Consulting Services for Attest Clients

.09

The performance of consulting services for an attest client does not impair independence. fn 4 However, members and their firms performing attest services for a client should comply with applicable independence standards, rules and regulations issued by AICPA, the state boards of accountancy, state CPA societies, and other regulatory agencies.

Effective Date

.10

This section is effective for engagements accepted on or after January 1, 1992. Early application of the provisions of this section is permissible.

[Revised, January 2015, to reflect the revised Code of Professional Conduct.]

Footnotes (CS Section 100 — Consulting Services: Definitions and Standards):

fn 1 The definition of consulting services excludes the following:

a. Services subject to other AICPA professional standards such as Statements on Auditing Standards (SASs), Statements on Standards for Attestation Engagements (SSAEs), or Statements on Standards for Accounting and Review Services (SSARSs). (These excluded services may be performed in conjunction with consulting services, but only the consulting services are subject to the Statement on Standards for Consulting Services [SSCS].)

b. Engagements specifically to perform tax return preparation, tax planning or advice, tax representation, personal financial planning or bookkeeping services, or situations involving the preparation of written reports or the provision of oral advice on the application of accounting principles to specified transactions or events, either completed or proposed, and the reporting thereof.

c. Recommendations and comments prepared during the same engagement as a direct result of observations made while performing the excluded services.

fn 2 In “Integrity” (ET sec. 0.300.040), *integrity* is described as follows: "Integrity requires a member to be, among other things, honest and candid within the constraints of client confidentiality. Service and the public trust should not be subordinated to personal gain and advantage. Integrity can accommodate the inadvertent error and the honest difference of opinion; it cannot accommodate deceit or subordination of principle."

In “Objectivity and Independence” (ET sec. 0.300.050), *objectivity* and *independence* are differentiated as follows: "Objectivity is a state of mind, a quality that lends value to a *member's* services. It is a distinguishing feature of the profession. The principle of objectivity imposes the obligation to be impartial, intellectually honest, and free of conflicts of interest. *Independence* precludes relationships that may appear to *impair* a *member's* objectivity in rendering attestation services."

fn 3 The “Conflict of Interest Rule” (ET sec. 1.110.010) states, in part, the following:

> A conflict of interest may occur if a *member* or the *member's firm* has a relationship with another person, entity, product, or service that, in the member's professional judgment, the client or other appropriate parties may view as impairing the *member's* objectivity...
>
> A *member* may perform the *professional service* if he or she determines that the service can be performed with objectivity because the *threats* are not significant or can be reduced to an *acceptable level* through the application of *safeguards*...

fn 4 AICPA independence standards relate only to the performance of attestation services; objectivity standards apply to all services. See footnote 2.

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