

**ACCOUNTING PROFESSIONAL & ETHICAL STANDARDS BOARD LIMITED**  
**MINUTES OF THE 3<sup>rd</sup> MEETING OF THE APES GN 20 OUTSOURCING TASKFORCE**

**19<sup>th</sup> January 2010 from 10.00 AM – 11.04 AM**

**Teleconference**

**1. Present and Apologies**

Present:

Mr. Channa Wijesinghe (Chairperson), Mr. Bruce Coombes, Mr. Paul Meredith, Mr. Harry Rosenberg, Ms. Tiina Liisa Sexton and Mr. Reece Agland.

In Attendance

Mr. Stuart Black (Board Member) and Mr. Erik Hopp

Apologies

Mr. Siva Navaratnam,.

**2. Review of minutes**

The minutes of the 2<sup>nd</sup> Outsourcing taskforce meeting held by teleconference on 11<sup>th</sup> November 2009 were accepted without amendment.

**3. Discussion on Proposed Principles to be addressed in APES GN 20 *Outsourced Accounting Services***

Chairperson informed the taskforce that the proposed principles document will be presented to the next APESB Board meeting. The document will be used at the basis to draft the Guidance Note. The proposed principles document includes updated key definitions to address matters raised at the last taskforce meeting.

The proposed professional obligations have also been categorised according to a Member's involvement in providing or utilising outsourced accounting services. The proposed principles document also includes suggested items that could be included in an outsourced contract and service level agreement.

The following is an overview of substantive comments provided by Taskforce members on the proposed principles document:

- The diagrammatic illustration of outsourced accounting services arrangements was viewed as too simplistic and could be amended to clarify the different arrangements for how a service could be provided including issues relating to contractor arrangements (in-house delivery or delivery from contractor premises located locally or overseas) and the alternative mechanisms that could be used to deliver outsourced accounting services in-house.
- Consistent use of terms – it was agreed that the word “outsourced” be used in preference to “outsourcing” where possible and that consideration be given to using either of the terms: “in-house service provider” or “internal service line”; and “offsite provider” or “third-party service provider” consistently throughout the document.

- Concern was raised about the proposed definition of “material business activity” and that this might be interpreted to introduce a materiality threshold to ethical requirements in APES 110 *Code of Ethics for Professional Accountants* (the Code). It was noted that this was not the intention of the drafting and taskforce members were informed that the proposed definition had been adopted from APRA Prudential Standards.
- Concern was raised about the proposed definition of “outsourced accounting services” and whether this provided an accurate representation of the range of outsourced services for which guidance was to be provided. The proposed definition links in with the term “Professional Services” for which there is an established definition in the IFAC Code and APESB standards.
- The taskforce discussed the breadth of the proposed guidance. Taskforce members acknowledged that the intention is to provide guidance to both Members in Public Practice and Members in Business. This could be achieved with either two documents or two separate sections within the guidance note. Taskforce members agreed that it was important for the guidance note to remind Members about their fundamental responsibilities under the Code and where relevant to refer to other APESB standards as a point of reference.
- In relation to the proposed requirement for a Member to develop key selection criteria to assist in determining the third-party service provider to provide outsourced accounting services, the guidance note could potentially develop relevant guidance as an Appendix to the guidance note.
- Taskforce members agreed that less emphasis should be placed on issues of business management.
- Taskforce members agreed that the issue of ownership, lien and rights of access to documents and records including original source data and supporting documents to the service provided should be addressed.
- Taskforce members agreed that reference to client consent to use an outsourced accounting service should be addressed.
- A number of other editorial matters were raised for APESB technical staff consideration.

#### **4. Way forward**

It was agreed that APESB technical staff would redraft the proposed principles document and circulate it for further review and comment. The proposed principles document will then be presented at the February 2010 APESB Board Meeting.

#### **5. Close of meeting**

The next meeting of the taskforce will be convened at a date to be determined.