

Proposed Guidance Note: APES GN 20 Outsourced Accounting Services

Prepared and issued by
Accounting Professional & Ethical Standards Board Limited

EXPOSURE DRAFT **XX/11**
ISSUED: (XXXX 2011)

Copyright © 2011 Accounting Professional & Ethical Standards Board Limited (“APESB”). All rights reserved. Apart from fair dealing for the purpose of study, research, criticism and review as permitted by the Copyright Act 1968, no part of these materials may be reproduced, modified, or reused or redistributed for any commercial purpose, or distributed to a third party for any such purpose, without the prior written permission of APESB.

Any permitted reproduction including fair dealing must acknowledge APESB as the source of any such material reproduced and any reproduction made of the material must include a copy of this original notice.

Commenting on this Exposure Draft

Comments on this Exposure Draft should be forwarded so as to arrive by **XX XXXX 2011**.

Comments should be addressed to:

The Chairman
Accounting Professional & Ethical Standards Board Limited
Level 7, 600 Bourke Street
MELBOURNE VIC 3000
AUSTRALIA
E-mail: sub@apesb.org.au

A copy of all submissions will be placed on public record on the APESB website:

www.apesb.org.au.

Obtaining a copy of this Exposure Draft

This Exposure Draft is available on the APESB website: www.apesb.org.au. Alternatively, any individual or organisation may obtain one printed copy of this Exposure Draft without charge until **XX XXXX 2011** by contacting:

Accounting Professional & Ethical Standards Board Limited
Level 7
600 Bourke Street
Melbourne Victoria 3000
Australia
E-mail: enquiries@apesb.org.au
Phone: (03) 9670 8911
Fax: (03) 9670 5611

Reasons for issuing Exposure Draft XX/11

Accounting Professional & Ethical Standards Board Limited (APESB) proposes to issue the Guidance Note APES GN 20 *Outsourced Accounting Services* to give guidance to Members who are involved in providing Outsourced Accounting Services.

Key requirements and guidance in ED XX/11

The proposed APES GN 20 includes guidance in respect of:

- Fundamental responsibilities of Members;
- Scope of Outsourced Accounting Services;
- Outsourcing Agreement;
- Performance of Outsourcing Agreement;
- Documentation; and
- Professional Fees.

Proposed operative date

It is intended that this Guidance Note will be operative from **XX XXXX 2011**.

Request for comments

Comments are invited on this Exposure Draft of APES GN 20 *Outsourced Accounting Services* by **XX XXXX 2011**. APESB would prefer that respondents express a clear overall opinion on whether the proposed Guidance Note, as a whole, is supported and that this opinion be supplemented by detailed comments, whether supportive or critical, on any matter. APESB regards both critical and supportive comments as essential to a balanced view of the proposed Guidance Note.

APES GN 20 Outsourced Accounting Services

Prepared and issued by
Accounting Professional & Ethical Standards Board Limited

ISSUED: [DATE]

Copyright © 2011 Accounting Professional & Ethical Standards Board Limited (“APESB”). All rights reserved. Apart from fair dealing for the purpose of study, research, criticism and review as permitted by the Copyright Act 1968, no part of these materials may be reproduced, modified, or reused or redistributed for any commercial purpose, or distributed to a third party for any such purpose, without the prior written permission of APESB.

Any permitted reproduction including fair dealing must acknowledge APESB as the source of any such material reproduced and any reproduction made of the material must include a copy of this original notice.

Contents

	Paragraph
Scope and application.....	1
Definitions	2
Fundamental responsibilities of Members	3
Scope of Outsourced Accounting Services	4
Outsourcing Agreement.....	5
Performance of Outsourcing Agreement	6
Documentation	7
Professional Fees	8
 <i>Conformity with International Pronouncements</i>	
<i>Appendix 1: Diagrammatic Illustration of Outsourced Accounting Service Arrangements</i>	
 <i>Appendix 2: Examples of Outsourced Accounting Services that are within the scope of APES GN 20</i>	

1. Scope and application

- 1.1 Accounting Professional & Ethical Standards Board Limited (APESB) issues professional guidance note APES GN 20 *Outsourced Accounting Services* (the Guidance Note), which is effective from XXXX.
- 1.2 APES GN 20 provides guidance for Members when providing or utilising Outsourced Accounting Services. APES GN 20 should be read in conjunction with other professional duties of Members, and any legal obligations that may apply.
- 1.3 Members in Australia should follow the guidance in APES GN 20 when they provide or utilise Outsourced Accounting Services.
- 1.4 Members working outside of Australia should follow the guidance in APES GN 20 to the extent to which they are not prevented from so doing by specific requirements of local regulations and/or laws in the country in which they are working.
- 1.6 The Guidance Note is not intended to detract from any responsibilities which may be imposed by law or regulation.
- 1.7 All references to Professional Standards and Guidance Notes are references to those provisions as amended from time to time.
- 1.8 Members should be familiar with relevant Professional Standards and guidance notes when providing Professional Services.
- 1.9 In applying the guidance outlined in APES GN 20, Members should be guided not merely by the words but also by the spirit of the Guidance Note and the Code.

2. Definitions

For the purpose of this Guidance Note:

Acceptable Level means a level at which a reasonable and informed third party would be likely to conclude, weighing all the specific facts and circumstances, that compliance with the fundamental principles is not compromised.

Client means an individual, firm, entity or organisation to whom or to which Professional Services are provided by a Member in Public Practice in respect of Engagements of either a recurring or demand nature.

Code means APES 110 *Code of Ethics for Professional Accountants*.

Engagement means an agreement, whether written or otherwise, between a Member in Public Practice and a Client relating to the provision of Professional Services by a Member in Public Practice. However, consultations with a prospective Client prior to such agreement are not part of an Engagement.

Engagement Document means the document (i.e. letter, agreement or any other appropriate means) in which the Terms of Engagement are specified in a written form.

Employer within the context of this Guidance Note means an entity or person that employs, engages or contracts a Member in Business.

Firm means (a) A sole practitioner, partnership, corporation or other entity of professional accountants;
(b) An entity that controls such parties, through ownership, management or other means;

Outsourced Accounting Services

- (c) An entity controlled by such parties, through ownership, management or other means; or
- (d) An Auditor-General's office or department.

In-House Service Provider means any individual or entity that the Member or the Member's Employer individually or collectively with other parties controls or who is employed by the Member or the Member's Employer.

Member means a Member of a Professional Body that has adopted this Guidance Note as applicable to their Membership as defined by that Professional Body.

Member in Business means a Member employed or engaged in an executive or non-executive capacity in such areas as commerce, industry, service, the public sector, education, the not for profit sector, regulatory bodies or Professional Bodies, or a Member contracted by such entities.

Member in Public Practice means a Member, irrespective of functional classification (e.g. audit, tax or consulting) in a Firm that provides Professional Services. The term is also used to refer to a Firm of Members in Public Practice and means a practice entity as defined by the applicable professional body.

Material Business Activity means an activity that has the potential if not delivered, to materially impact upon the quality, timeliness or scale of service delivered by the Member or the Member's Employer to the Client. It may have a significant impact on the Client's or Employer's business operations or the Member's ability to manage organisational risk effectively.

Outsourcing means the transfer of responsibility for conducting internal processes to an Outsourced Services Provider. The Outsourced Service Provider may or may not be located in the same country as the Member, Client or Employer. Outsourcing activities include the remote hosting of critical business systems.

Outsourcing Agreement means the document in written form (i.e. letter, agreement or any other appropriate means) in which the terms and conditions of the Outsourcing Accounting Services are agreed between the Member and the Outsourced Service Provider.

Outsourced Accounting Services means Outsourcing a Material Business Activity to an Outsourced Service Provider.

Outsourced Service Provider means either a Third-Party Service Provider or In-House Service Provider who is providing services in accordance with an Outsourcing Agreement.

Professional Bodies means the Institute of Chartered Accountants in Australia, CPA Australia and the Institute of Public Accountants.

Professional Services means services requiring accountancy or related skills performed by a Member including accounting, auditing, taxation, management consulting and financial management services.

Professional Standards means all standards issued by Accounting Professional & Ethical Standards Board Limited and all professional and ethical requirements of the applicable professional body.

Third-Party Service Provider means an individual or entity that the Member individually or collectively with other parties, does not control and any individual who is not employed by the Member.

Those Charged with Governance includes those persons accountable for ensuring that the entity achieves its objectives with regard to reliability of financial reporting, effectiveness and efficiency of operations, compliance with applicable laws and reporting to interested parties. Those Charged with Governance includes management only when it performs such functions.

3. Fundamental Responsibilities of Members

- 3.1 A Member who provides or utilises Outsourced Accounting Services should comply with Section 100 *Introduction and Fundamental Principles* of the Code and relevant law.

Public interest

- 3.2 In accordance with Section 100 *Introduction and Fundamental Principles* of the Code, a Member in Public Practice is required to observe and comply with the Member's public interest obligations when the Member provides or utilises Outsourced Accounting Services.

Professional competence and due care

- 3.3 A Member providing Outsourced Accounting Services should maintain professional competence and take due care in the performance of the Member's work in accordance with Section 130 *Professional Competence and Due Care* of the Code.
- 3.4 A Member utilising Outsourced Accounting Services should consider their obligations under Section 130 *Professional Competence and Due Care* of the Code.
- 3.5 A Member should take reasonable steps to ensure that the skills and competence of personnel of the Outsourced Accounting Service delivery team are subject to periodic review and where necessary appropriate training and professional development is undertaken to maintain the quality of the service delivery.
- 3.6 A Member who is considering utilising the services of an Outsourced Service Provider in respect of Outsourced Accounting Services should take reasonable steps to satisfy themselves that the relevant party has the required professional competence, skills, capacity, policies and procedures to conduct the Outsourced Accounting Service. The Member should discuss with the Outsourced Service Provider the specific controls in place to safeguard the information and should conduct an evaluation of the controls to assess whether they are adequate and functioning in the manner intended.
- 3.7 Entering into an Outsourcing Agreement with an Outsourced Service Provider does not reduce the Member's primary responsibility to the Client or Employer and the application of the ethical requirements of the Code
- 3.8 A Member should ensure that procedures are in place such that all relevant business units of the Member's business are fully aware of, and comply with, the Outsourcing policy framework.
- 3.9 Prior to sharing confidential information with an Outsourced Service Provider, a Member should be satisfied that the Outsourced Service Provider has appropriate procedures in place to prevent the unauthorised access to information.
- 3.10 Where a Member in Public Practice utilises an Outsourced Accounting Service, the Member should disclose the nature, details and extent to which Outsourced Accounting Services are used in the delivery of the Professional Service and obtain written consent from the Client to use those Outsourced Accounting Services. Where a Client objects to the use of an Outsourced Service Provider, then a Member in Public Practice needs to comply with that request.

- 3.11 Where Outsourced Service Providers are used only to provide administrative support services to a Member, the Member is not expected to inform Clients or Employers of the use of such Outsourced Service Providers. Administrative support services are used primarily for the purpose of providing internal support functions and do not involve an active role in the preparation of a work product for a Client or Employer. Administrative support services include but are not limited to record storage, software application hosting and authorised e-file tax transmittal services.

Scope of Outsourced Accounting Services

- 4.1 A Member in Public Practice should develop an Outsourcing policy framework that sets out the Member's approach to Outsourcing of Material Business Activities, including the proposed approach to manage business and operational risks associated with Outsourcing arrangements.
- 4.2 A Member should be able to demonstrate that in assessing the options for Outsourcing to an Outsourced Provider, the Member has considered:
- a) the changes to the risk profile of the Material Business Activity that arises from Outsourcing the activity to an Outsourced Service Provider;
 - b) how the changes in the risk profile are addressed;
 - c) the reasons why the selected Outsourced Service Provider has the ability to conduct the business on an ongoing basis; and
 - d) the required monitoring procedures to be adopted to ensure that the Outsourced Service Provider is performing effectively and the method by which potential inadequate performance is going to be addressed.
- 4.3 A Member who is considering Outsourcing Accounting Services should conduct appropriate due diligence of the Outsourced Service Providers prior to entering into an Outsourcing Agreement. When conducting due diligence of potential Outsourced Service Providers, the Member should consider the following matters :
- (a) the operating policies and procedures of the Outsourced Service Provider;
 - (b) whether the Outsourced Service Provider has sufficient staff with the necessary professional competencies and skills;
 - (c) the adequacy of contingency plans or disaster recovery plans of the Outsourced Service Provider,
 - (d) whether the data security measures adhere to applicable legal and regulatory obligations¹;
 - (e) whether the Outsourced Service Provider has appropriate quality control requirements in place in respect of the Outsourced Accounting Service that will enable the Member in Public Practice to comply with the Member's professional obligations in respect of *APES 320 Quality Control for Firms*;
 - (g) obtaining an understanding of file review and error correction processes of the provider
 - (h) the communication skills of the Outsourced Service Provider and whether its staff meet the needs of the Member; and
 - (j) whether the Outsourced Service Provider will act in a timely manner in the performance of the Outsourcing Agreement.
- 4.4 A Member who is considering Outsourcing Accounting Services should develop and document contingency plans that would enable the Outsourced Accounting Service to be provided by an alternative Outsourced Service Provider or to be brought in-house if required.
- 4.5 Although Outsourced Accounting Services may result in the day-to-day managerial responsibility for Material Business Activities moving to an Outsourced Service Provider, a Member will still have a responsibility to monitor that the work is performed by the Outsourced Service Provider. This responsibility does not extend to planning and

supervising the work of the Outsourced Service Provider beyond the requirements of the Outsourcing Agreement and the applicable Professional Standards which may vary depending on the nature of Engagement.

- 4.6 The use of an Outsourced Service Provider may create threats to compliance with the fundamental principles of the Code as well as compliance with applicable laws and regulations, for example, the *Privacy Act*. Consequently, it is necessary to evaluate the significance of any threat created by the use of Outsourced Service Providers. If the threats are significant, then a Member should consider and apply safeguards as necessary to reduce the threats to an Acceptable Level. In some cases it may be possible to eliminate or reduce such threats by applying appropriate safeguards. In other cases no safeguards will be available to reduce the threats to an Acceptable Level. In such a situation, the Member should not use an Outsourced Service Provider to carry out the Outsourced Accounting Service.

5. Terms of the Outsourcing Agreement

- 5.1 A Member should take reasonable steps to determine, negotiate and document the scope of the Outsourced Accounting Services with the Outsourced Service Provider.
- 5.2 A Member should take reasonable steps to develop and document appropriate communication protocols in respect of Outsourced Accounting Services with the Client or Employer.
- 5.3 APES 305 *Terms of Engagement* requires that a Member in Public Practice document and communicate the Terms of Engagement.
- 5.4 The *Outsourcing Agreement* should specify:
- a) commencement and end of the term;
 - b) a description of the type and scope of Outsourced Accounting Services to be provided and which elements of the current processes will or will not be changed;
 - c) details of how the Outsourced Accounting Service will be performed;
 - d) details of how changes in service requests will be conducted;
 - e) representations and warranties;
 - f) the required service levels and performance requirements;
 - g) details of the initial transition from the Member's operations to the Outsourced Service Provider, including:
 - contract termination and disengagement triggers
 - actions and responsibilities
 - contract reward and penalty considerations
 - business continuity, security and intellectual property break-up and recovery;
 - h) the pricing model including payment terms and how changes that affect the execution of the process during the agreement will affect pricing;
 - i) the procedure for reimbursement of expenses;
 - j) ongoing management of confidentiality, privacy and security of information;
 - k) taxation obligations – in particular GST considerations;
 - l) the process of managing the ongoing relationship including qualitative and quantitative measures to monitor and review performance;
 - m) the nature of the information to be provided by the Member and the Outsourced Service Provider;
 - n) where the Outsourced Service Provider is subcontracting part of the outsourced function this matter should be disclosed;
 - o) the terms of any limitation of liability to the effect that any subcontracting by the Outsourced Service Provider of the outsourced function should be the responsibility of the Outsourced Service Provider including liability for any failure on the part of any subcontractor;
 - p) audit and monitoring procedures;
 - q) a provision in the contract that allows the Professional Bodies access to documentation related to the Outsourcing arrangement including the right to

Outsourced Accounting Services

- conduct on-site visits to the Outsourced Service Provider as part of the Professional Bodies quality review process of Members;
- r) the terms of file retention by the Outsourced Service Provider that is sufficient to meet the needs of the Member or as required by law or regulation,
 - s) use of third party materials;
 - t) obligations of the Member's entity (the Client);
 - u) details of reports or other anticipated outputs, including:
 - expected timing
 - intended use and distribution of reports;
 - v) accessibility of the Member to Outsourced Service Providers files;
 - w) format, form and quantity of data, that is readable in printed or electronic form and is to be provided at the end of the agreement term;
 - x) ownership of documents and records;
 - y) that the Outsourced Service Provider is responsible for the accuracy and completeness of the information supplied to the Member;
 - z) well-defined dispute resolution mechanisms;
 - aa) procedures for changes in business structures and/or ownership structure
 - bb) the effect of novated agreements entered into by Third-Party Service Providers;
 - cc) insurance - details of liability and indemnities;
 - dd) termination of the Outsourcing Agreement. The Outsourcing Agreement can be terminated due to:
 - the expiry of the term of the contract;
 - for a cause such as poor service or non-payment;
 - for convenience such as the Outsourcing Agreement no longer makes economic sense;
 - a change in control or management at either of the entities;
 - ee) Minimum period for operation of the Outsourcing Agreement;
 - ff) where applicable, details of off shoring arrangements of the Outsourced Service Provider.
- 5.5 The matters set out in paragraph 5.4 should be considered for inclusion in an Outsourcing Agreement. These matters will vary according to individual requirements and circumstances of each Outsourcing Agreement.
- 5.6 Outsourcing Agreements should be reviewed periodically to ensure they are kept up to date with changing business needs.
- 5.7 A Member should consider if the Outsourcing Agreement should have a clause that allows early termination of the Outsourcing Agreement upon change in control or management at the Member's entity or at the Outsourced Service Provider.

Insurance

- 5.8 A Member should maintain a policy of professional indemnity insurance with adequate coverage for the range of Outsourced Accounting Services provided.
- 5.9 A Member should consider if the Outsourcing Agreement requires a clause that allows suspension and early termination of an Outsourcing Agreement should there be ongoing non-performance by the Outsourced Service Provider.

6. Performance of Outsourcing Agreement

Transfer process and knowledge

- 6.1 A Member should manage the transition and implementation of the Outsourced Accounting Services using appropriate project management skills and discipline. Where

Outsourced Accounting Services

the Member does not have the professional expertise to manage the transition of processes and the required implementation support, the Member should seek assistance or advice from a suitably qualified third party.

Monitor and manage performance

- 6.2 A Member should take reasonable steps to satisfy themselves that the Member has sufficient resources to manage and monitor the Outsourcing relationship at all times. The type and extent of resources needed will depend on the Material Business Activity that is being outsourced.
- 6.3 A Member should take reasonable steps to establish and document appropriate corporate governance structures and processes so that there are mechanisms for the entity and the Outsourced Service Provider to manage daily operations as well as address issues that arise during the course of the outsourcing arrangement.
- 6.4 A Member should take reasonable steps to develop and document appropriate communication protocols between the entity and the Outsourced Service Provider or internal service lines as applicable.
- 6.5 The Member should monitor appropriate performance measures which may be detailed in the Outsourcing Agreement to monitor the performance of the Outsourced Service Provider.
- 6.6 A Member in Public Practice should review the work of an Outsourced Service Provider to establish that the objectives of the Engagement have been achieved, the work has been performed in accordance with applicable Professional Standards and regulatory/legal requirements, and the work performed supports the conclusions reached and is appropriately documented. The review should be performed prior to submitting to the ultimate Client.
- 6.7 A Member should develop appropriate contingency plans or disaster recovery plans to ensure continuity of Outsourced Accounting Services.
- 6.8 A Member should develop, document and adhere to policies and procedures to manage data security, including complying with applicable legal obligations that address matters of privacy and confidentiality.
- 6.9 A Member in Public Practice providing Outsourced Accounting Services may hold, disburse or receive Client monies or operate Client bank accounts. In these circumstances the Member needs to comply with APES 310 *Dealing with Client Monies*.

Renew, renegotiate and terminate

- 6.10 A Member should use both qualitative and quantitative performance measurement as a basis when making the decision to renew, renegotiate or terminate the Outsourcing Agreement with an Outsourced Service Provider.
- 6.11 Where a Member plans to terminate an Outsourcing Agreement, the Member should start planning the process back in-house or to another Third-Party Service Provider in a timely manner before the actual termination.

7. Documentation

- 7.1 A Member should develop, document and adhere to policies and procedures designed to monitor and manage the delivery of the Outsourced Accounting Service.
- 7.2 A Member in Public Practice providing Outsourced Accounting Services needs to have appropriate quality control requirements in place in accordance with APES 320 *Quality Control for Firms*.
- 7.3 A Member providing Outsourced Accounting Services should prepare working papers in accordance with this Guidance Note that appropriately document the work performed, including aspects of the Outsourced Accounting Service that have been provided in writing.

8. Professional fees

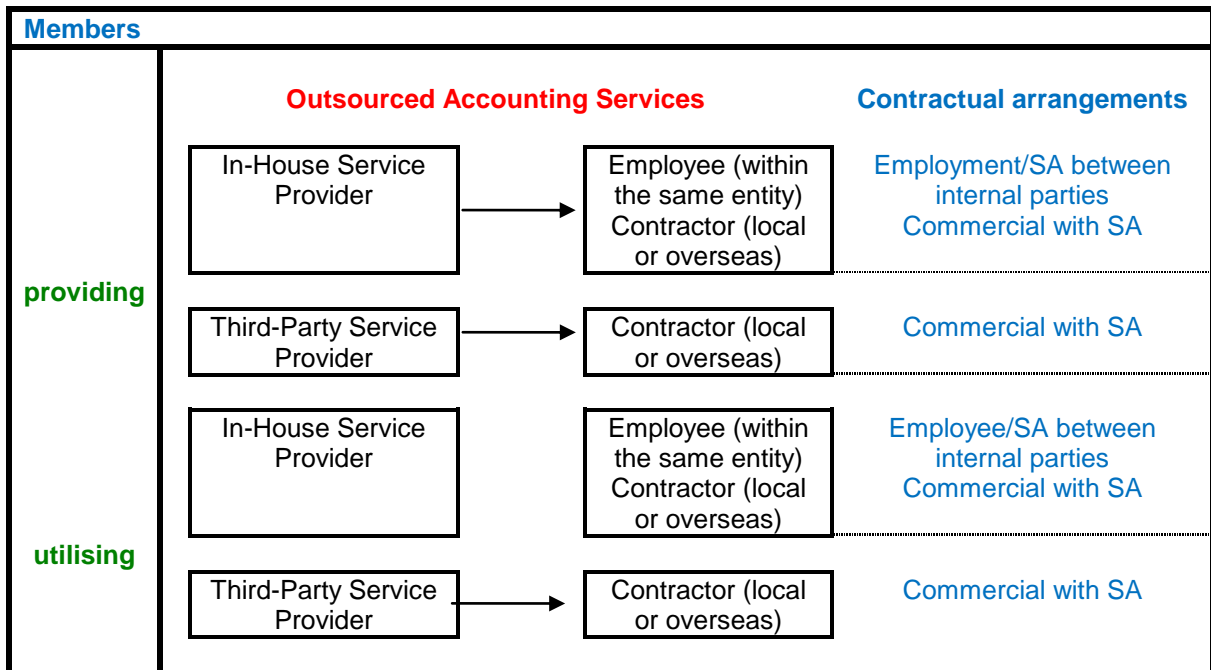
- 8.1 A Member in Public Practice providing Outsourced Accounting Services should be remunerated for such services by way of Professional Fees computed in accordance with Section 240 *Fees and other Types of Remuneration* of the Code.

Conformity with International Pronouncements

The International Ethics Standard Board for Accountants (IESBA) has not issued a pronouncement equivalent to APES GN 20.

Appendix 1 –

Diagrammatic Illustration of Outsourced Accounting Service Arrangements



SA refers to a Service Agreement between the parties

Appendix 2

Examples of Outsourced Accounting Services that are within the scope of APES GN 20

Example 1

A Member in Public Practice is a partner in a four partner accounting firm in Adelaide and has a staff member taking parental leave for a period of 12 months. The Member in Public Practice enters into an agreement with the family trust of the staff member for the former staff member's services to be provided to process SME ledgers and complete draft income tax returns for some of the Firm's Clients. The arrangement covers approximately 35 Clients that the former staff member worked on whilst an employee. The Firm has approximately 800 SME Clients.

The Member in Public Practice is conducting an Outsourcing activity with an Outsourced Service Provider. However, as the arrangement covers less than 5% of Clients of the Firm it is unlikely to be a Material Business Activity. Accordingly, this will not be within the scope of APES GN20.

The Member in Public Practice will need to document the terms of the Outsourcing Agreement in accordance with the Firm's policies and procedures established under APES 320 *Quality Control for Firms*.

Example 2

A Member in Public Practice is a partner in a four partner accounting firm in Adelaide and has a staff member taking parental leave for a period of 12 months. The Member in Public Practice enters into an agreement with the family trust of the staff member for the former staff member's services to be provided to process SME ledgers and complete draft income tax returns for some of the Firm's Clients. The arrangement covers approximately 35 Clients that the former staff member worked on whilst an employee, which amounts to approximately 10% of the Firm's professional fees. The Firm has approximately 800 SME Clients.

The Member in Public Practice is conducting an Outsourcing activity with an Outsourced Service Provider and it impacts on 10% of the Firm's revenue base. Therefore it is a Material Business Activity. Accordingly, this will be within the scope of APES GN20.

Example 3

A Member in Public Practice is a partner in a three partner accounting firm in Melbourne. The Firm has approximately 1,200 SME Clients and 100 SMSF Clients. The Member in Public Practice enters into a contract with a specialist external SMSF administrator to prepare income tax returns and financial statements for 35 SMSF clients.

The Member in Public Practice is conducting an Outsourcing activity with an Outsourced Service Provider. However, as the arrangement covers less than 5% of Clients of the Firm it is unlikely to be a Material Business Activity. Accordingly, this will not be within the scope of APES GN20.

The Member should document this arrangement with the Third Party Service Provider in accordance with the Firm's policies and procedures established under APES 320 *Quality Control for Firms*.

Example 4

A Member in Business is engaged as the Chief Financial Officer (CFO) of a substantial insurance company. In that role, the Member has decided to outsource all of the IT functionality for the processing of claims, policy renewals, premium calculations, payroll and general ledger to an external Outsourced Service Provider. The outsourced activities are material to the insurance company.

The Member in Public Practice is conducting an Outsourcing activity with a Third Party Service Provider in respect of a Material Business Activity. Accordingly, it is within the scope of APES GN20.

Example 5

A Member in Public Practice has established a company in India controlled by the partners of the Firm of which the Member is a partner. The shareholders in the Australian practice are the same parties as the shareholders in the Indian company. In the coming year and going forward 80% of the SME accounting work of the Australian firm is to be undertaken by the Indian company.

The Member in Public Practice is conducting an Outsourcing activity with an In-House Service Provider in respect of a Material Business Activity. It is an In-House Service Provider as the Outsourced Service Provider in India is controlled by the Member and her partners. Accordingly, it is within the scope of APES GN20.

Example 6

A Member in Public Practice is remotely hosting a general ledger system using cloud computing. The Member provides accounting services to medium-sized companies and transfers client data into the general ledger system which is hosted in the cloud.

In transferring data to the cloud the Member is effectively utilising the services of an IT provider. The Member in Public Practice is conducting an Outsourcing activity with a Third-Party Service Provider in respect of a Material Business Activity. Accordingly, this is within the scope of APES GN 20.

Example 7

A Member in Public Practice is a partner in a Firm with 3 other partners. The Member has recently become aware of the benefits of cloud computing and has determined to remotely host the Firm's practice management system in the cloud.

The practice management system is an internal system that is being hosted in the cloud and used to provide administrative support for the Member in the manner described in paragraph 3.11 of GN20. The provision of administrative support is not considered a Material Business Activity and as such this activity does not fall within the scope of APES GN 20.

Example 8

A Member in Public Practice provides accounting services to medium-sized companies operating in varied industries. To perform the contracted service role to the company, the Member obtains company data from the bookkeeper. The Member in Public Practice has recently gained an understanding of the new cloud computing technology available and has advised the bookkeeper to transfer the respective clients on to cloud computing to make the accounting process more efficient.

Outsourced Accounting Services

The Member in Public Practice is merely recommending the cloud computing technology to the bookkeeper which is different to utilising the system itself. Accordingly, the advice by the Member for the bookkeeper to use cloud computing is not within the scope of APES GN 20.

Example 9

A Member in Public Practice provides numerous professional services to medium-sized financing companies including Information Technology and Company Secretarial Services and these encompass Material Business Activities.

The Member in Public Practice is providing Information Technology and Company Secretarial Services which are considered to be Professional Services. As the Member is providing Outsourcing Services which are Material Business Activities these will be within the scope of APES GN20.