

AGENDA PAPER

Item Number: 4
Date of Meeting: 4 March 2021
Subject: Proposed revisions to APES GN 30 *Outsourced Services*

Action required **For discussion** **For noting** **For information**

Purpose

To obtain the Board's approval:

- subject to the Board's review comments and editorials, to issue an Exposure Draft on proposed revisions to APES GN 30 *Outsourced Services* (APES GN 30); and
- of Technical Staff's proposed way forward in relation to APES GN 30.

Background

Technical Staff provided an update to the Board on outsourcing in [Agenda Item 2](#) of the June 2020 Board meeting, including a background of the APES GN 30 project to date, analysis of APRA prudential requirements and the Tax Practitioner's Board Practice Note on outsourcing and Australian Privacy Principles, and proposed amendments to APES 305 *Terms of Engagement* (APES 305).

The Board approved at the June 2020 meeting the Exposure Draft on proposed revisions to [APES 305 ED 02/20](#), which was issued for public comment on 14 July 2020, with comments due by 15 October 2020.

At the November 2020 Board meeting, Technical Staff provided an update ([Agenda Item 7](#)) to the Board on the submissions received on APES 305 ED 02/02 and proposed amendments to APES 305 subsequent to the Exposure.

The Board approved the issue of the revised APES 305 at the [November 2020 Board meeting](#) and the revised standard was issued 4 December 2020 effective for engagements commencing on or after 1 July 2021. The most significant amendments to APES 305 resulting from the ED were:

- inclusion of definitions for cloud computing, material business activity, outsourced service, outsourced service provider, outsourcing and outsourcing agreement, (including refinements to the definitions for cloud computing and material business activity from those in APES GN 30);

- a requirement paragraph on members' obligations under Subsection 114 *Confidentiality* of the Code;
- application material highlighting the impact on risk and management of the client's confidential information when utilising outsourced services or cloud computing and cross-referencing to APES GN 30 regarding what constitutes an outsourced service;
- requiring members in public practice that will utilise outsourced services to document and communicate the details of the outsource service provider, the geographic location of where the outsourced services will be performed and the nature and extent of outsourced services; and
- application material that when cloud computing is utilised, the member in public practice should document and communicate the details of the cloud computing provider, the geographical location of where the cloud computing will be provided and how client's confidential information will be stored.

The Board also requested at the November 2020 Board meeting that Technical Staff:

- review and update APES GN 30 in respect of material now covered in APES 305, changes to definitions, and update examples from stakeholder feedback on APES 305 ED 02/20; and
- prepare an Exposure Draft for APES GN 30 to be considered at the March 2021 Board meeting

Matters for Consideration

Technical Staff have reviewed APES GN 30 and marked up proposed changes in the Exposure Draft APES GN 30 ED 01/21 (Agenda Item 4(a)), including:

- amendments to the definitions of cloud computing, material business activity and outsourced service provider to align to revisions to APES 305;
- amendments to paragraph 3.9 to refer members in public practice to requirements in revised APES 305 in relation to documenting and communicating details of outsourced service providers, the geographical location of where the outsourced services will be performed and the nature and extent of outsourced services;
- new paragraph 3.11 to refer members in public practice that will use cloud computing (that is not an outsourced service) to the guidance in APES 305 about disclosing details of the cloud computing provider, the geographical location of where the cloud computing will be provided and how confidential client information will be stored; and
- revisions to existing examples and the inclusion of additional examples of outsourced services and cloud computing in Appendix 1 to incorporate stakeholder feedback received on APES 305 ED 02/20 and to cross-reference to requirements and application material in the revised APES 305 (refer Agenda Item 4(b) for specific comments on APES 305 relating to additional examples).

Way Forward

Subject to the Board's approval:

- issue the APES GN 30 Exposure Draft 01/21 (Agenda Item 4(a)) by 12 March 2021;
- request public comments on ED 01/21 over a 45-day period ending on 28 April 2021;

- review and analyse submissions received on ED 01/21 and consider whether any further revisions are required to APES GN 30 during May 2021; and
- seek approval from the Board to issue the revised APES GN 30 at the June 2021 Board meeting and finalise the APES GN 30 Project; and
- release the revised APES GN on or after 1 July 2021 (the effective date of revised APES 305) effective from the date of issue.

Recommendations

The Board approve:

- subject to the Board's review comments and editorials, the issue of an Exposure Draft on proposed revisions to APES GN 30 (ED 01/21); and
- Technical Staff's proposed way forward in relation to APES GN 30.

Materials presented

Agenda Item 4(a) Marked-up Exposure Draft APES GN 30 ED 01/21
Agenda Item 4(b) APES 305 Specific Comments Table

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