

Agenda Item 3 (c) – Proposed Amendments to Examples in APES GN 30

The following sets out Technical Staff's proposed amendments to Examples 5, 9 and 12 of ED 01/21 on APES GN 30 to address stakeholder concerns as detailed in Agenda Item 3, 3(a) and 3(b).

Example 5

A **Member in Public Practice** provides accounting services to SME **Clients**. The **Member** and the **Member's Clients** have on-demand access to online accounting software that is owned and hosted on a server by a remote third party (software-as-a-service). The software licence and access are organised and set up by the Member on behalf of the Member's Clients. The **Clients'** data and accounting information is held by the remote third party and the accounting software also imports transactions from **Clients'** bank data feeds and processes transactions.

The **Member** is using **Cloud Computing** as it is on-demand access to software provided by a remote third party that is entrusted with data and information of the **Member's Clients**.

The **Member** is likely using an **Outsourced Service Provider** in respect of a **Material Business Activity**. It is likely to be a **Material Business Activity** because if disrupted it would significantly impact the quality, timeliness and scale of **Professional Services** offered by the **Member** and received by the **Client**. The accounting software is also not excluded from being a Material Business Activity as it performs activities that do more than merely support the Professional Services delivered to the Client, including importing and processing transactions.

Accordingly, this is an **Outsourced Service** and the **Member** should refer to the guidance in APES GN 30 and requirements in APES 305 in relation to **Outsourced Services**, including to document and communicate the details of the **Outsourced Service Provider**, the geographical location of where the **Outsourced Services** will be performed and the nature and extent (including how the **Client's** confidential information will be stored) of the **Outsourced Services** to be utilised.

Example 9

A **Member in Public Practice's Firm** utilises a document data storage facility provided by a remote third party (infrastructure-as-a-service) to manage **Client Engagements**, coordinate **Client Engagement** acceptance and continuance, ~~and~~ store **Engagement** documents and backup data and software. **Client** data is provided to the remote third party who does not have effective access to the information due to security controls including encryption.

The technology platform would likely meet the definition of **Cloud Computing** in APES GN 30 as the remote third party is entrusted with data and information of the **Member's Clients**. Although the technology platform would likely meet the definition of **Outsourcing**, as it is an activity that the **Firm** could perform, it may not likely be an **Outsourced Service**. This is due to it being not likely to meet the definition of **Material Business Activity** as the record storage merely supports the **Professional Services** delivered to **Clients**. The **Member** should refer to the guidance in APES 305 in relation to **Cloud Computing**.

Example 12

A **Member in Public Practice** provides **Professional Services** to a number of **Clients**. The **Member** enters into a contract with an external information technology service provider for the provision ~~of record storage,~~ computer support ~~and backup~~ services relating to the Member's Firm's information technology infrastructure. Where these activities are internal operational activities of the **Firm**, they are not considered to be **Material Business Activities** as defined in this Guidance Note.