

AGENDA PAPER

Item Number: 8
Date of Meeting: 7 December 2022
Subject: Post Implementation Review for APES 305 and APES GN 30

Action required For discussion For noting For information

Purpose

To provide the Board with an update on the Post Implementation Review (PIR) of APES 305 *Terms of Engagement* (APES 305) and APES GN 30 *Outsourced Services* (APES GN 30).

Background

The Board approved a revised [APES 305](#) at the November 2020 meeting ([Agenda Item 7](#)), which was issued on 7 December 2020 with an effective date of 1 July 2021. Key amendments to APES 305 included:

- a new requirement that where an outsourced service is utilised that the member must document and communicate to the client the details of the outsourced service provider, the geographic location of where the outsourced service will be performed and the nature and extent of outsourced services;
- similar application material in relation to the use of cloud computing in circumstances where it is not an outsourced service;
- guidance referring members to consider APES GN 30; and
- new definitions for cloud computing and material business activity.

The Board approved a revised [APES GN 30](#) at the June 2021 Board meeting to align to changes in the revised APES 305 ([Agenda Item 3](#)), which was issued on 25 June 2021 and effective from that date. Key revisions to APES GN 30 included:

- updated definitions of cloud computing and material business activity;
- revisions to paragraph 3.9 and a new paragraph 3.11 to refer members to the requirements and application material in APES 305; and
- revisions to existing examples, including references to APES 305 and the development of new examples 7 to 10 in Appendix 1 relating to outsourced services and cloud computing.

At the June 2021 Board meeting, the Board also [approved](#) Technical Staff to undertake a PIR of APES 305 and APES GN 30 post 1 July 2022.

Matters for Consideration

In October 2022, Technical Staff contacted CPA Australia, Chartered Accountants Australia and New Zealand (CA ANZ) and the Institute of Public Accountants (IPA) to determine whether they had any issues or concerns, including those raised by members, in respect of the revised APES 305 and APES GN 30. The professional bodies have confirmed they have no significant issues or concerns but noted the following matters.

Some members have experienced a reluctance from cloud-based providers to specify the exact location where services are performed. Paragraph 3.6 of APES 305 requires disclosure of the 'geographical location' of where the outsourced service will be performed. Technical Staff believe this disclosure intends to ensure that clients have details of the country where services are undertaken/data is provided, and not the service provider's specific address. Further, to be an outsourced service, it must also be a material business activity, and APES GN 30 Appendix 1 includes various examples in this regard.

A query received from a member relates to whether an individual directly employed by Company B (service provider) to perform work overseas for Firm A (based in Australia) is an outsourced service under APES 305/APES GN 30. Firm A has managerial responsibility for the individual, trains them on the firm's system operating in Australia and reviews the individual's work before sending it to clients. Company B manages human resources and payroll and arranges office facilities. Firm A pays Company B a monthly fee.

APESB will need to update APES GN 30 in 2023 for quality management conforming amendments due to the reissued APES 320 *Quality Management for Firms that provide Non-Assurance Services* and new AUASB quality management standards as per the project plan approved at the March 2022 meeting ([Agenda Item 5](#)).

As part of the review to incorporate the QM conforming amendments, Technical Staff recommend the Board consider addressing the matters identified above by clarifying the intention of 'geographical location' in an example in Appendix 1 of APES GN 30 and including another example therein covering the situation of Firm A using a service provider Company B to employ staff in another jurisdiction.

Based on the above analysis, Technical Staff believe no substantive revisions to APES 305 or APES GN 30 are required.

The professional bodies raised some other implementation and educational issues, which do not relate to issues or deficiencies in the pronouncements, such as:

- member awareness of the new requirement in paragraph 3.6 of APES 305, including the need to disclose the location of where the service is provided in the terms of engagement; and
- queries from members about how to document and communicate the details required by paragraph 3.6 of APES 305.

Recommendations

The Board note the update on the post implementation review of APES 305 and APES GN 30.

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Date: 23 November 2022