

APES GN 30 Outsourced Services

[Supersedes APES GN 30 Outsourced Services issued in ~~March 2013 and~~ October 2015]

~~Prepared and issued by
Accounting Professional & Ethical Standards Board Limited~~

REVISED: ~~October 2015~~ XXXX 2020

Copyright © ~~2015~~ 2020 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 in Public Practice	3
Management of risks associated with Outsourced Services	4
Terms of the Outsourcing Agreement	5
Performance of the Outsourcing Agreement	6
Documentation	7
 <i>Conformity with International Pronouncements</i>	
 <i>Appendix 1: Examples of Outsourced Services</i>	
 <i>Appendix 2: Subject matter that should be considered for inclusion in an Outsourcing Agreement</i>	
 <i>Appendix 3: Summary of revisions to the previous APES GN 30 (Issued in March October 2015)</i>	
 <i>[Not included as the summary of revisions is set out in the Explanatory Memorandum for this Exposure Draft]</i>	

1. Scope and application

- 1.1 The objectives of APES GN 30 *Outsourced Services* are to provide guidance in relation to a **Member in Public Practice's** professional and ethical obligations in respect of:
- fundamental responsibilities of the **Member** who provides or utilises an **Outsourced Service**;
 - management of risks associated with the performance or utilisation of **Outsourced Services**;
 - matters to be included in the **Outsourcing Agreement** pertaining to **Outsourced Services**;
 - management and monitoring of the **Outsourced Services**; and
 - documentation.
- 1.2 Accounting Professional & Ethical Standards Board Limited (APESB) has revised professional guidance note APES GN 30 *Outsourced Services* (the Guidance Note). This Guidance Note which is effective from the date of issue and supersedes APES GN 30 issued in ~~March 2013~~ October 2015.
- 1.3 APES GN 30 provides guidance or suggestions to assist a **Member in Public Practice** who is providing or utilising **Outsourced Services** and does not prescribe or create any new professional requirements. The term “should” used throughout this Guidance Note is to be read in this context.
- 1.4 **Members in Public Practice** in Australia should follow the guidance in APES GN 30 when they provide or utilise **Outsourced Services**.
- 1.5 **Members in Public Practice** ~~working~~ outside of Australia should follow the guidance in APES GN 30 to the extent to which they are not prevented from so doing by specific requirements of local laws and/or regulations.
- 1.6 This Guidance Note is directed towards Members in Public Practice. However, Members in Business should apply this Guidance Note to the extent practicable when they provide or utilise Outsourced Services.
- ~~1.7~~6 The Guidance Note is not intended to detract from any responsibilities which may be imposed by law or regulation.
- ~~1.8~~7 For the purposes of this Guidance Note, an **Engagement** which is subject to ASA 600 *Special Considerations – Audits of a Group Financial Report (Including the Work of Component Auditors)* is not considered to be an **Outsourced Service**.
- ~~1.9~~8 All references to **Professional Standards**, guidance notes and legislation are references to those provisions as amended from time to time.
- ~~1.10~~9 **Members in Public Practice** ~~should be familiar with relevant~~ are required to comply with other applicable Professional Standards and be familiar with relevant guidance notes when ~~providing Professional Services~~ performing Professional Activities. All Members are required to comply with the requirements of the Code.
- 1.110 In applying the guidance outlined in APES GN 30, **Members in Public Practice** should be guided not merely by the words but also by the spirit of this Guidance Note and the **Member's** professional obligation to comply with the requirements of the **Code**.
- ~~1.11 This Guidance Note is directed towards Members in Public Practice. However, Members in Business should apply this Guidance Note to the extent practicable when they provide or utilise Outsourced Services.~~

- 1.12 In this Guidance Note, unless otherwise specified, words in the singular include the plural and vice versa, words of one gender include another gender, and words referring to persons include corporations or organisations, whether incorporated or not.

2. Definitions

[Defined terms are shown in the body of the Guidance Note in title case.](#)

For the purpose of this Guidance Note:

Acceptable Level means a level at which a [Member using the](#) reasonable and informed third party [test](#) would ~~be likely to conclude, weighing all the specific facts and circumstances available to the Member at that time,~~ that [the Member](#) complies ~~ance~~ with the fundamental principles ~~is not compromised~~.

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

Cloud Computing means the use of computing resources that are delivered as a service over the internet. Cloud Computing entrusts remote services with a user's data, software and computation.

Code means APES 110 *Code of Ethics for Professional Accountants* ([including Independence Standards](#)).

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](#).

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

Material Business Activity means an activity of an entity or a [Firm](#) that has the potential, if disrupted, to significantly impact upon the quality, timeliness or scale of [Professional Services](#) offered by a [Member in Public Practice](#) or received by a [Client](#). Whether a business activity is a Material Business Activity should be based on an assessment of the risks associated with the nature and size of the activity and the business activity's relevance to the [Professional Service](#) delivered to the [Client](#). Material Business Activities exclude the internal activities of a [Firm](#) such as record storage or software application hosting where these internal activities merely support the [Professional Services](#) delivered to the [Client](#).

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 working](#) ~~employed or engaged in an executive or non-executive capacity in such~~ [in](#) areas [such](#) as commerce, industry, service, the public sector, education, the not-for-profit sector, ~~or in~~ regulatory ~~bodies~~ or professional bodies, ~~who might be an employee, contractor, partner, director (executive or non-executive), owner-manager or volunteer~~ ~~or a Member contracted by such entities.~~

Member in Public Practice means a [Member](#), irrespective of functional classification (~~e.g. for~~ [example](#), audit, tax or consulting) in a [Firm](#) that provides [Professional Services](#). This term is

also used to refer to a **Firm** of Members in Public Practice and means a practice entity and a participant in that practice entity as defined by the applicable **Professional Body**.

Network means a larger structure:

- (a) That is aimed at ~~co-operation~~ **cooperation**; and
- (b) That is clearly aimed at profit or cost sharing or shares common ownership, control or management, common quality control policies and procedures, common business strategy, the use of a common brand-name, or a significant part of professional resources.

Network Firm means a **Firm** or entity that belongs to a **Network**.

Outsourced Service means a service involved in Outsourcing a Material Business Activity to an Outsourced Service Provider.

Appendix 1 includes a series of examples of Outsourced Services including considerations relevant to what is a Material Business Activity.

Outsourced Service Provider means an entity including a person that is providing services in accordance with an Outsourcing Agreement. The Outsourced Service Provider may not be located in the same country as the Member in Public Practice or the Client and may not even be a Member.

Outsourcing means an activity where an entity or a **Firm** engages a party, on a continuing basis, to perform a business activity that is being, has been, or could be performed by that entity or **Firm**. Outsourcing can be from a **Client** to a **Member in Public Practice** or from a **Member in Public Practice** to another service provider to assist with the delivery of a **Professional Service** to a **Client**.

Outsourcing Agreement means the document (i.e. letter, agreement or any other appropriate means) in which the terms and conditions of an **Outsourced Service** are set out.

~~**Outsourced Service** means a service involved in Outsourcing a Material Business Activity to an Outsourced Service Provider.~~

~~**Outsourced Service Provider** means an entity including a person that is providing services in accordance with an Outsourcing Agreement. The Outsourced Service Provider may not be located in the same country as the Member in Public Practice or the Client and may not even be a Member.~~

Professional Activity means an activity requiring accountancy or related skills undertaken by a **Member**, including accounting, auditing, ~~taxation~~, management consulting, and financial management.

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

Professional Services means **Professional Activities** performed for **Clients**.

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

Terms of Engagement means the terms and conditions that are agreed between the **Client** and the **Member in Public Practice** for the **Engagement**.

3. Fundamental Responsibilities of Members in Public Practice

Members providing or utilising Outsourced Services

- 3.1 The [Code](#) is the conceptual framework and foundation on which all APESB pronouncements are based. Compliance with and application of the [Code](#) is fundamental to the professional behaviour of all [Members](#). Non-compliance with the [Code](#) can lead to disciplinary proceedings being initiated by the [Professional Body](#) to which the [Member](#) belongs.
- 3.2 The professional obligations and ethical requirements that all [Members](#) are required to comply with are based on the five fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour in the [Code](#).

Members providing Outsourced Services

- 3.3 The provision of [Outsourced Services](#) may create threats to compliance with the fundamental principles of the [Code](#), as well as risks of non-compliance with applicable laws and regulations, (for example, the [Privacy Act 1988 \(Cth\)](#)). A [Member in Public Practice](#) providing an [Outsourced Service](#) should consider potential threats to the fundamental principles in accordance with ~~Section 100- Part 1~~ [Part 1 Complying with the Code, Fundamental Principles and Conceptual Framework](#) of the [Code](#). Where threats cannot be eliminated or reduced to an [Acceptable Level](#) and the [Member](#) is considering resigning from an [Engagement](#), then the [Member](#) is reminded to consider the legal and other implications of existing contractual arrangements.

- 3.4 [A Member in Public Practice who becomes aware of instances of non-compliance with laws and regulations when providing Outsourced Services is required to comply with Section 360 Responding to Non-Compliance with Laws and Regulations of the Code.](#)

Members utilising Outsourced Services

- 3.54 A [Member in Public Practice](#) utilising [Outsourced Services](#) should evaluate the [Member's](#) ability to comply with ~~Subsection 130~~ [113 Professional Competence and Due Care](#) of the [Code](#).
- 3.65 A [Member in Public Practice](#) who is considering utilising [Outsourced Services](#) should take reasonable steps to determine that the [Outsourced Service Provider](#) has the required professional competence, skills, capacity, policies and procedures to conduct the [Outsourced Services](#) and to manage the risks associated with [Outsourcing](#). As part of the risk management process, prior to sharing confidential information with an [Outsourced Service Provider](#), the [Member](#) should evaluate the [Outsourced Service Provider's](#) controls to safeguard such information, including whether the [Outsourced Service Provider](#) has appropriate systems and procedures in place to prevent unauthorised access.
- 3.76 A [Member in Public Practice](#) who utilises an [Outsourced Service Provider](#) retains the primary responsibility to deliver the [Professional Service](#) in accordance with the [Terms of Engagement](#) with the [Client](#) and in compliance with the ethical requirements of the [Code](#) and applicable [Professional Standards](#).
- 3.87 Where a [Member in Public Practice](#) utilises [Outsourced Services](#), the [Member](#) should disclose to the [Client](#) the geographical location of the [Outsourced Service Provider](#) and the nature and extent to which [Outsourced Services](#) are used in the delivery of the [Professional Service](#) to the [Client](#). These factors impact the amount of risk associated with the [Outsourced Service](#) being delivered and the management of the confidential information of the [Client](#). Where a [Firm](#) uses [Outsourcing](#) on a regular basis with many [Clients](#), a standard form of disclosure may be used by the [Firm](#).

- 3.98 The Member should consider obtaining written consent from the Client to use Outsourced Services. Appropriate forms of written consent from a Client include a signed Engagement Letter that incorporates details of the intended Outsourcing activities and acknowledgement of the acceptance of use of Outsourced Services.
- 3.10 When a Member in Public Practice is considering using Outsourced Services, the Member should consider the Client's specific requirements and whether there is any prohibition on the use of Outsourced Services, including the use of an Outsourced Service Provider operating outside of Australia.
- 3.119 The use of an Outsourced Service Provider may create threats to compliance with the fundamental principles of the Code as well as risks associated with non-compliance with applicable laws and regulations, (for example, the Privacy Act 1988 (Cth)). A Member in Public Practice should consider potential threats to the fundamental principles in accordance with ~~Section 100~~ Part 1 Complying with the Code, Fundamental Principles and Conceptual Framework of the Code. Where threats cannot be eliminated or reduced to an Acceptable Level and the Member is considering resigning from an Engagement, then the Member is reminded to consider the legal and other implications of existing contractual arrangements.
- 3.12 A Member in Public Practice who becomes aware of instances of non-compliance with laws and regulations when utilising Outsourced Services is required to comply with Section 360 Responding to Non-Compliance with Laws and Regulations of the Code.¹

4. Management of risks associated with Outsourced Services

Members providing Outsourced Services

- 4.1 A Member in Public Practice providing an Outsourced Service should develop and document an Outsourcing policy framework to effectively manage the risks associated with Outsourcing. Matters that may be addressed by this framework include:
- the approach to managing the business;
 - the approach to managing business, operational and other risks;
 - management of the administrative function;
 - maintenance of compliance with regulatory frameworks where relevant;
 - communication protocols;
 - procedures for maintenance of Client and third party confidentiality;
 - procedures for reporting to the Client; and
 - processes for review of work.

Members utilising Outsourced Services

- 4.2 A Member in Public Practice utilising Outsourced Services should develop and document an Outsourcing policy framework together with policies and procedures and communicate this framework to all relevant personnel of the Member's Firm. The framework could set out the Member's approach to utilising Outsourced Services and include the Member's approach to managing business, operational and other risks associated with the performance of the Outsourcing Agreement.

¹ Members in Business should refer to Section 260 Responding to Non-Compliance with Laws and Regulations of the Code.

- 4.3 When a **Member in Public Practice** is considering using an **Outsourced Service Provider**, the **Member** should conduct appropriate due diligence prior to entering into any **Outsourcing Agreement**. Matters to be assessed in this context typically include:
- (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 and business continuity plans of the **Outsourced Service Provider**;
 - (d) whether the information security measures adhere to applicable legal and regulatory obligations;
 - (e) whether the **Outsourced Service Provider** has appropriate quality control requirements in place in respect of the **Outsourced Service** that will enable the **Member** to comply with the **Member's** professional obligations in respect of APES 320 *Quality Control for Firms* and other applicable **Professional Standards**;
 - (f) whether the **Member** has sufficient comfort that file review and error correction processes are employed by the **Outsource Service Provider**;
 - (g) the communication skills of the **Outsourced Service Provider** and its personnel;
 - (h) whether the **Outsourced Service Provider** will perform the duties and responsibilities of the **Outsourcing Agreement** in a timely manner;
 - (i) how the **Member** is going to address the changes to the risk profile of the **Material Business Activity** that is the subject of the **Outsourced Service**; and
 - (j) the ability of the proposed **Outsourced Service Provider** to conduct the **Outsourced Services** on an ongoing basis.
- 4.4 A **Member in Public Practice** who utilises **Outsourced Services** should consider developing, documenting and periodically reviewing contingency plans to enable the **Outsourced Services** to be provided by an alternative **Outsourced Service Provider** or to be brought in-house, if required.
- 4.5 **Outsourced Services** may result in the day-to-day responsibility for certain activities moving to an **Outsourced Service Provider**. However, a **Member in Public Practice** who utilises such a service retains the responsibility to monitor the work that is performed by the **Outsourced Service Provider** and to perform sufficient reviews to assess whether the **Professional Service** provided complies with the **Code** and **Professional Standards** applicable to the **Engagement**.

5. Terms of the Outsourcing Agreement

- 5.1 A **Member in Public Practice** who is providing or utilising an **Outsourced Service** should document the **Outsourcing** arrangement taking into consideration the subject matter listed in Appendix 2 of this Guidance Note. The **Member** should also consider whether there are current contractual arrangements in place, and legal and other implications of existing contracts.

Members providing Outsourced Services

- 5.2 Pursuant to APES 305 *Terms of Engagement*, a **Member in Public Practice** is required to document and communicate the **Terms of Engagement**.
- 5.3 Where a **Member in Public Practice** provides **Outsourced Services** and the **Member** in turn subcontracts part of the **Professional Service** to another service provider, the **Member** should disclose details of these arrangements in the **Outsourcing Agreement** with the **Client**.

Members utilising Outsourced Services

- 5.4 A **Member in Public Practice** who utilises an **Outsourced Service** should agree and document the scope of the services with the **Outsourced Service Provider**.
- 5.5 A **Member in Public Practice** who utilises **Outsourced Services** should review the **Outsourcing Agreement** periodically to ensure it is kept up to date with changing business needs.

Insurance

Members providing Outsourced Services

- 5.6 A **Member in Public Practice** who provides **Outsourced Services** should review their professional indemnity insurance policy to assess whether adequate coverage exists for the **Outsourced Services** provided.

6. Performance of the Outsourcing Agreement

Members providing or utilising Outsourced Services

Transfer process and knowledge

- 6.1 The transition of services to be **Outsourced** has a number of risks associated with it. A **Member in Public Practice** providing or utilising **Outsourced Services** should manage the risks of transition and implementation by using appropriate project management skills and discipline. Where the **Member** does not have the professional expertise to manage the transition of processes and the required implementation support, the **Member** should seek assistance from a suitably qualified third party.

Monitor and manage performance

- 6.2 A **Member in Public Practice** providing or utilising **Outsourced Services** should consider whether the **Member** has sufficient resources to manage the risks and monitor the performance of the **Outsourcing Agreement**. The type and extent of resources will depend on the **Material Business Activity** that is **Outsourced**.
- 6.3 A **Member in Public Practice** providing or utilising **Outsourced Services** should obtain comfort that the day to day operations, as well as issues that arise during the performance of the **Outsourcing Agreement**, will be appropriately managed. Steps that may be undertaken include the establishment and documentation of appropriate corporate governance structures and processes.
- 6.4 A **Member in Public Practice** providing or utilising **Outsourced Services** should develop and document communication protocols between the **Member** and the **Client** or the **Member** and the **Outsourced Service Provider**, as applicable.
- 6.5 A **Member in Public Practice** providing or utilising **Outsourced Services** should use appropriate performance measures (which may be detailed in the **Outsourcing Agreement**) to monitor the performance of the **Member** or the **Outsourced Service Provider**, as applicable. The **Member** should consider the **Outsourcing** policy framework referred to in paragraph 4.1 when developing performance measures.
- 6.6 A **Member in Public Practice** providing or utilising **Outsourced Services** should review the work of the **Member's** personnel or the **Outsourced Service Provider**, as applicable, to:
- assess whether ~~that~~ the work has been completed in accordance with the **Outsourcing Agreement**;
 - establish that the objectives of the **Engagement** have been achieved;

- assess whether the work has been performed in accordance with applicable [Professional Standards](#), legal and regulatory requirements; and
- assess whether the work performed has been appropriately documented and supports the conclusions reached.

The [Member](#) should review the work performed prior to submitting the work product to the [Member's Client](#).

- 6.7 A [Member in Public Practice](#) who provides or utilises [Outsourced Services](#) should consider the manner in which information security and legal obligations that address matters of privacy and confidentiality will be managed during the [Engagement](#).

Renew, renegotiate and terminate

- 6.8 A [Member in Public Practice](#) who provides or utilises [Outsourced Services](#) should apply both qualitative and quantitative performance measures when evaluating whether to renew, renegotiate or terminate the [Outsourcing Agreement](#).
- 6.9 Where a [Member in Public Practice](#) plans to terminate an [Outsourcing Agreement](#), the [Member](#) should consider planning the process to bring the activity back in-house or to transfer to another [Outsourced Service Provider](#) in a timely manner prior to the actual termination.

Client monies

- 6.10 Where a [Member in Public Practice](#) who provides or utilises [Outsourced Services](#) holds, disburses or receives [Client](#) monies or operates [Client](#) bank accounts the [Member](#) is required to comply with APES 310 ~~*Dealing with Client Monies*~~.

7. Documentation

Members providing or utilising Outsourced Services

- 7.1 A [Member in Public Practice](#) who provides or utilises [Outsourced Services](#) should develop policies and procedures designed to monitor and manage the delivery of the [Outsourced Service](#). Adherence to such policies and procedures may be documented by the [Member](#) as part of the risk management process.

Members providing Outsourced Services

- 7.2 A [Member in Public Practice](#) who provides [Outsourced Services](#) is required to have appropriate quality control requirements in place in accordance with APES 320 *Quality Control for Firms*.
- 7.3 A [Member in Public Practice](#) who provides [Outsourced Services](#) should prepare working papers that appropriately document the work performed, including aspects of the [Outsourced Service](#) that have been provided in writing.

Conformity with International Pronouncements

The International Ethics Standards Boards for Accountants (IESBA) has not issued a pronouncement equivalent to APES GN 30.

Appendix 1

Examples of Outsourced Services

*This Appendix contains some examples to assist with the determination of whether a particular service is an **Outsourced Service**.*

*Members are cautioned that the determination of whether a particular service is an **Outsourced Service** is a matter to be judged based on the particular facts and circumstances of the **Engagement**. The examples contained in this **Appendix** are provided for illustrative purposes only and are not intended to be, and cannot be, all inclusive. The examples are not a substitute for reading the full text of APES GN 30 to determine whether the **Member** or another party is providing an **Outsourced Service**. In all of the examples presented below it is assumed that there are no unmentioned facts which would be relevant to the consideration as to whether the service provided is an **Outsourced Service**.*

Example 1

A **Member in Public Practice** is a partner in a four partner **Firm**, which has a staff member taking parental leave for a period of 12 months. The **Member's Firm** enters into an agreement with the family company of the staff member to process Small and Medium Enterprises (SME) ledgers and complete draft income tax returns for some of the **Firm's Clients**. The arrangement covers approximately 35 **Clients** that the staff member served before taking parental leave. The **Firm** has approximately 800 SME Clients.

The **Firm** is **Outsourcing** this activity to the family company of the ~~former~~ staff member **on leave**. The key issue is whether the **Professional Services** constitute a **Material Business Activity**. The **Material Business Activity** assessment should be performed from the **Firm's** and the **Clients'** perspectives.

This **Outsourcing** arrangement covers less than 5% of **Firm's Clients** and thus may not be a **Material Business Activity** from the **Firm's** perspective. However, it may be a **Material Business Activity** due to the unique circumstances of the **Client**. The **Member** should consider whether there is potential that if the **Professional Service** is not delivered, the **Client's** operations will be materially impacted. For example, if a substantial proportion of **Professional Services** provided to one **Client** is **Outsourced** then the **Outsourcing** arrangement may be a **Material Business Activity** from that **Client's** perspective and the **Member** should refer to the guidance in APES GN 30.

Example 2

A **Member in Public Practice** is a partner in a four partner **Firm** which has a staff member taking parental leave for a period of 12 months. The **Member's Firm** enters into an agreement with the family company of the staff member 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 staff member served before taking parental leave, which amounts to approximately 10% of the **Firm's** professional fees. The **Firm** has approximately 800 SME Clients.

The **Firm** is **Outsourcing** this activity to the family company of the ~~former~~ staff member **on leave**. The key issue is whether the **Professional Services** constitute a **Material Business Activity**. The **Material Business Activity** assessment should be performed by the **Member in Public Practice** from the **Firm's** and the **Clients'** perspectives.

The **Outsourcing** activity impacts on 10% of the **Firm's** revenue base and therefore may be considered a **Material Business Activity** from the **Firm's** perspective and thus the **Member** should refer to the guidance in APES GN 30.

Depending on the circumstances, it may also be considered a **Material Business Activity** from the **Client's** perspective.

Example 3

A **Member in Public Practice** is a partner in a three partner **Firm**. The **Firm** has approximately 1,200 **SME Clients** and 100 **Self Managed Super Fund (SMSF) Clients**. The **Member** enters into a contract with a specialist external **SMSF administrator** to prepare income tax returns and financial statements for 35 **SMSF Clients**.

The **Firm** is **Outsourcing** this activity to the specialist external **SMSF administrator**. The key issue is whether it is a **Material Business Activity**. The **Material Business Activity** assessment should be performed by the **Member in Public Practice** from the **Firm's** and the **Clients'** perspectives.

The **Outsourcing** arrangement covers less than 5% of **Clients** of the **Firm** and thus may not be a **Material Business Activity** from the **Firm's** perspective, as non-provision of the **Professional Service** is unlikely to materially impact the scale of **Professional Services** offered by the **Firm**. However, depending on the circumstances of the individual Client, it may still be considered a **Material Business Activity** from the **Client's** perspective ~~depending on the circumstances of the individual Client~~. If the **Outsourced Service** being provided to a **Client** is material from that **Client's** perspective, then the **Member** should refer to the guidance in APES GN 30.

Example 4

A **Member in Public Practice** is a partner in a **Firm** based in Australia. The **Member's Firm** has entered into an agreement with a company in India to perform accounting work for the Australian **Firm**. 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 **Firm** is **Outsourcing** a **Material Business Activity** to the Indian company. The Indian company is providing an **Outsourced Service** to the **Firm** and the **Member** should refer to the guidance in APES GN 30.

Example 5

A **Member in Public Practice** provides accounting services to medium-sized companies and transfers **Client** data into a general ledger system using **Cloud Computing** hosted by an external IT provider.

The **Member** is using an **Outsourced Service Provider** in respect of a **Material Business Activity**. Accordingly, this is an **Outsourcing** arrangement and the **Member** should refer to the guidance in APES GN 30.

Example 6

A **Member in Public Practice** provides accounting services to medium-sized companies operating in various industries. To perform this role for the relevant companies, the **Member** obtains company data from their bookkeepers. The **Member** has recently gained an understanding of **Cloud Computing** technology and has recommended to the bookkeepers to transfer the respective **Clients** on to **Cloud Computing** to make the accounting process more efficient.

The **Member** is merely recommending the benefits of **Cloud Computing** technology to the bookkeepers, which is different to providing an **Outsourced Service** in respect of a **Material Business Activity**. In these circumstances, it is unlikely that the **Member** needs to consider APES GN 30.

Example 7

A **Member in Public Practice** assists a large multi-national **Firm** with offices in Australia, New Zealand and Singapore to restructure its management reporting and accounting processes. To complete required procedures, the Australian **Firm** intends to utilise its **Network Firms** in New Zealand and Singapore to perform the **Engagement**.

The **Member in Public Practice** discloses to the **Client** that the **Member** will be using **Network Firms** based in New Zealand and Singapore to perform the **Engagement**.

Depending on the circumstances and nature of the **Engagement** (i.e. whether it is a **Material Business Activity**), the **Member** may need to consider the guidance in APES GN 30.

Example 8

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. Where these activities are internal activities of the **Firm**, they are not considered to be **Material Business Activities** as defined by this Guidance Note.

Example 9

A **Member in Public Practice** conducts the audit of a group financial report of a large manufacturing company. The **Member** is the group **Engagement** partner as defined by ASA 600 *Special Considerations – Audits of a Group Financial Report (Including the Work of Component Auditors)*. There are a number of subsidiaries in the group and to complete the audit, the **Member** plans to use component auditors to audit five of the ten subsidiaries of the group.

In these circumstances paragraph 1.67 of APES GN 30 applies and the **Engagement** is excluded from the scope of this Guidance Note.

Appendix 2

Subject matter that should be considered for inclusion in an Outsourcing Agreement

A **Member in Public Practice** who provides or utilises an **Outsourced Service** should negotiate and execute an **Outsourcing Agreement** that may include the following subject matter depending on the particular circumstances of the **Outsourcing** arrangement. When drafting such an agreement, only subject matter relevant to the particular arrangement should be included. Such subject matter **may** include:

- (a) the duration of the **Outsourcing Agreement** including commencement date, minimum and maximum terms and provisions for termination;
- (b) a description of the type and scope of **Outsourced Services** to be provided;
- (c) details of how the **Outsourced 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 including:
 - contract termination and disengagement triggers;
 - contract reward and penalty considerations; and
 - business continuity, security and intellectual property break-up and recovery;
- (g) details of the initial transition process from the **Member's** operations to the **Outsourced Service Provider**, including actions and responsibilities of the parties in respect of the transition process;
- (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, including GST considerations;
- (l) the process for 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) the terms of any limitation of liability, to the effect that any subcontracting by the **Outsourced Service Provider** of the **Outsourced Services** should be the responsibility of the **Outsourced Service Provider** (including liability for any failure on the part of any subcontractor);
- (o) audit and monitoring procedures;
- (p) a provision that allows the applicable **Professional Body** access to documentation and understanding of procedures related to the **Outsourced Services**;
- (q) the terms of file retention by the **Outsourced Service Provider** that are sufficient to meet the needs of the **Member** or as required by law or regulation;
- (r) any use of third party resources;
- (s) obligations of the parties to the **Outsourcing Agreement**;
- (t) details of reports or other anticipated outputs, including:
 - expected timing; and
 - intended use and distribution of reports;
- (u) accessibility by the **Member** to the **Outsourced Service Provider's** files;

- (v) the format, form and quantity of data, that is readable in printed or electronic form that is to be provided by the [Outsourced Service Provider](#) at the end of the [Outsourcing Agreement](#);
- (w) ownership of documents and records;
- (x) the fact that the [Outsourced Service Provider](#) is responsible for the accuracy and completeness of the information supplied to the [Member](#);
- (y) well-defined dispute resolution mechanisms including jurisdictional considerations;
- (z) procedures for changes in business structures and/or ownership structure;
- (aa) the use of external service providers (if any);
- (bb) details of liability and indemnity insurance;
- (cc) the conditions for terminating the [Outsourcing Agreement](#) such as:
 - the [Outsourcing Agreement](#) no longer makes economic sense;
 - poor service, non-performance or non-payment; or
 - a change in control or management at either of the parties to the [Outsourcing Agreement](#).

Appendix 3

Summary of revisions to the previous APES GN 30 (Issued in ~~October 2015~~ ~~March 2013~~)

APES GN 30 *Outsourced Services* was originally issued in March 2013 and revised in October 2015 (extant APES GN 30). APES GN 30 has been revised by APESB in ~~October 2015~~ ~~XXXX~~ ~~2020~~ ~~19~~. A summary of the revisions is given in the table below.

Table of revisions*

Paragraph affected	How affected
1.1	Added
1.2 Paragraph 1.1 in existing APES GN 30 relocated	Amended
1.8 Paragraph 1.7 in existing APES GN 30 relocated	Amended
1.9 Paragraph 1.8 in existing APES GN 30 relocated	Amended
1.10 Paragraph 1.9 in existing APES GN 30 relocated	Amended
1.12	Added
1— Definition of Client	Amended
2— Definition of Member	Amended
2— Definition of Member in Business	Amended
2— Definition of Member in Public Practice	Amended
2— Definition of Professional Activity	Added
2— Definition of Professional Bodies	Amended
2— Definition of Professional Services	Amended
3.7	Amended

* Refer Technical Update ~~2015/9~~ ~~2019/X~~