

19 February 2020

APESB issues revised APES GN 30 *Outsourced Services*

Accounting Professional & Ethical Standards Board Limited (APESB) today announced the issue of the revised APES GN 30 *Outsourced Services* (APES GN 30) to replace the existing APES GN 30 (Issued October 2015).

The key changes in the revised APES GN 30 consist of:

- Revisions to reflect the restructured APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code), issued in November 2018;
- Inclusion of guidance which refers Members to requirements in relation to responding to Non-compliance with Laws and Regulations (NOCLAR) in the Code; and
- Additional guidance to consider the specific needs and circumstances of the Client and whether there is a prohibition on the use of an Outsourced Service Provider who is located overseas.

Please refer to Appendix 1 of this technical update for details of all the revisions. The revised APES GN 30 will be effective from the date of issue.

APESB has incorporated the following interactive PDF features within the revised APES GN 30:

- Bookmark tab section for contents page;
- Dynamic links to sections and paragraphs;
- Pop-up definitions upon mouse rollover for defined terms; and
- Links to external websites.

The revised guidance note is available from APESB's website: www.apesb.org.au

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Appendix 1

Revision to APES GN 30 (Issued October 2015)

Accounting Professional & Ethical Standards Board Limited (APESB) has approved the following revisions to APES GN 30 *Outsourced Services* which was originally issued in March 2013 and revised in October 2015 (extant APES GN 30).

Paragraph/Section Reference	Revisions
1.2	Accounting Professional & Ethical Standards Board Limited (APESB) has revised professional guidance note APES GN 30 <i>Outsourced Services</i> (the Guidance Note) which . <u>This Guidance Note</u> is effective from the date of issue and supersedes APES GN 30 issued in March 2013 <u>October 2015</u> .
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
<u>Footnote 1</u>	<u>Refer to APESB’s <i>Due process and working procedures for the development and review of APESB pronouncements</i> (APESB’s Due Process document), Section 5, Paragraph 5.2(e).</u>
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 4	<i>[Paragraph 1.11 of extant APES GN 30 remains unchanged, but has been renumbered as paragraph 1.6.]</i>
1. 7 6 to 1. 9 8	<i>[Paragraphs 1.6 to 1.8 of extant APES GN 30 remain unchanged, but have been renumbered as paragraphs 1.7 to 1.9.]</i>
1. 10 9	Members in Public Practice should be familiar <u>are required to comply with relevant applicable</u> Professional Standards and <u>be familiar with relevant</u> guidance notes when providing <u>performing</u> Professional Services <u>Activities</u> . <u>All Members are required to comply with the requirements of the Code.</u>
1. 11 10	<i>[Paragraph 1.10 of extant APES GN 30 remains unchanged, but has been renumbered as paragraph 1.11.]</i>
2	<u>Defined terms are shown in the body of the Guidance Note in title case.</u> For the purpose of this Guidance Note:
2	<u>Acceptable Level</u> means a level at which a <u>Member using the</u> reasonable and informed third party <u>test</u> would be likely to conclude, <u>weighing all the specific facts and circumstances available to that</u> the Member at that time, <u>that compliance</u> <u>complies</u> with the fundamental principles is not compromised.
2	<u>Code</u> means APES 110 <i>Code of Ethics for Professional Accountants (including Independence Standards)</i> .

Paragraph/Section Reference	Revisions
2	<p>Firm means:</p> <ul style="list-style-type: none"> (a) A sole practitioner, partnership, corporation or other entity of professional accountants; (b) An entity that controls such parties₁ through ownership, management or other means; (c) An entity controlled by such parties₂ through ownership, management or other means; or (d) An Auditor-General's office or department.
2	<p>Member means a member of a Professional Body that has adopted this Guidance Note as applicable to their membership₁ as defined by that Professional Body.</p>
2	<p>Member in Business means a Member employed or engaged working in an executive or non-executive capacity in such 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 a Member contracted by such entities.</p>
2	<p>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.</p>
2	<p>Network means a larger structure:</p> <ul style="list-style-type: none"> (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.
2	<p>Outsourced Service means a service involved in Outsourcing a Material Business Activity to an Outsourced Service Provider.</p> <p><u>Appendix 1 includes a series of examples of Outsourced Services including considerations relevant to what is a Material Business Activity.</u></p>
2	<p>Professional Activity means an activity requiring accountancy or related skills undertaken by a Member, including accounting, auditing, taxation, management consulting, and financial management.</p>
3.	<p>Fundamental Responsibilities of Members in Public Practice</p>
3.3	<p>The provision of Outsourced Services may create threats to compliance with the fundamental principles of the Code₁ as well as risks of non-compliance with applicable laws and regulations, (for example, the <i>Privacy Act 1988 (Cth)</i>). A Member in Public Practice providing an Outsourced Service should consider potential threats to the fundamental principles in accordance with Section 400 Part 1 <u>Complying with the Code, Fundamental Principles and Conceptual Framework</u> 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.</p>

Paragraph/Section Reference	Revisions
3.4	<u>A Member in Public Practice who becomes aware of instances of non-compliance or suspected 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.</u>
3.54	A Member in Public Practice utilising Outsourced Services should evaluate the Member's ability to comply with Subsection 430 <u>113 Professional Competence and Due Care</u> of the Code.
3.65	<i>[Paragraph 3.5 of extant APES GN 30 remains unchanged, but has been renumbered as paragraph 3.6.]</i>
3.7	<u>When a Member in Public Practice is considering using Outsourced Services, the Member should determine 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.</u>
3.86	<i>[Paragraph 3.6 of extant Standard remains unchanged, but has been renumbered as paragraph 3.8.]</i>
3.97	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.
3.108	The Member in Public Practice should consider obtaining written consent from the Client to use Outsourced Services. Appropriate forms of written consent from a Client include a signed E engagement L letter that incorporates details of the intended Outsourcing activities and acknowledgement of the acceptance of use of Outsourced Services.
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 <i>Privacy Act 1988 (Cth)</i>). A Member in Public Practice should consider potential threats to the fundamental principles in accordance with Section 400 Part 1 <u>Complying with the Code, Fundamental Principles and Conceptual Framework</u> 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	<u>A Member in Public Practice who becomes aware of instances of non-compliance or suspected 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.²</u>
Footnote 2	<u>Members in Business should refer to Section 260 Responding to Non-Compliance with Laws and Regulations of the Code.</u>

Paragraph/Section Reference	Revisions
4.3	<p>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:</p> <ul style="list-style-type: none"> (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 <i>Quality Control for Firms</i> and other applicable Professional Standards; (f) whether the Member has sufficient comfort that file review and error correction processes are employed by the Outsourced 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.
5.4 6	[Paragraph 5.6 of extant APES GN 30 remains unchanged, but has been renumbered as paragraph 5.4.]
5.5 4 to 5.6 5	[Paragraphs 5.4 to 5.5 of extant APES GN 30 remain unchanged, but have been renumbered as paragraphs 5.5 to 5.6.]
6.1	<p>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.</p>
6.2	<p>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.</p>

Paragraph/Section Reference	Revisions
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.
6.6	<p>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:</p> <p>(a) assess whether that the work has been completed in accordance with the Outsourcing Agreement;</p> <p>(b) establish that the objectives of the Engagement have been achieved;</p> <p>(c) assess whether the work has been performed in accordance with applicable Professional Standards, legal and regulatory requirements; and</p> <p>(d) assess whether the work performed has been appropriately documented and supports the conclusions reached.</p> <p>The Member should review the work performed prior to submitting the work product to the Member's Client.</p>
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 .
Appendix 1	Examples of Outsourced Services – amended
Appendix 2	Subject matter that should be considered for inclusion in an Outsourcing Agreement – amended
Appendix 3	Summary of revisions to the previous APES GN 30 (Issued in October 2015) – amended