

**ACCOUNTING PROFESSIONAL & ETHICAL STANDARDS BOARD LIMITED**  
**MINUTES OF THE 5<sup>th</sup> MEETING OF THE APES GN 20 OUTSOURCING TASKFORCE**  
**23 February 2011 10.30 – 11:35 AM**  
**Teleconference**

**1. Present and Apologies**

Present

Mr. Channa Wijesinghe (Chairman), Mr Bruce Coombes, Mr Peter Docherty, Mr Tom Ravlic, and Mr Paul Meredith

In Attendance

Mr. Stuart Black (Board Member), Ms Si-Jia Li and Ms Rozelle Azad.

Apologies

Mr Harry Rosenberg and Mr Siva Navaratnam.

**2. Minutes of previous meeting**

The minutes of the 4<sup>th</sup> Outsourcing taskforce meeting held by teleconference on 18 October 2010 were accepted without amendment.

**3. Status of APES GN 20**

The Chairman provided the taskforce with an update of the current status of the proposed guidance note and feedback received from the November 2010 APESB Board meeting.

**4. Discussion of current draft of proposed APES GN 20**

The Chairman directed the taskforce to consider and provide taskforce's views on each section of the proposed guidance note. The taskforce made comments as follows.

Commenting on the exposure draft

- Page iii – edit 3<sup>rd</sup> bullet point under “Key requirements and guidance in ED XX/11” to read:  
Scope of Outsourced Accounting Services;

Definitions

- The taskforce agreed that the definition of “In-House Service Provider” was appropriate as drafted
- The taskforce considered the definition of “Professional Services” and agreed that for the purposes of this guidance note, the definition is not sufficiently broad. Services such as administration, bookkeeping and IT services need to be included in the definition. It was agreed that Peter Docherty of CPA Australia will provide APESB technical staff with the CPA Australia's defined term for consideration.

## Fundamental Responsibilities of Members

- The guidance note makes reference to a Member's public interest obligations. However, the taskforce noted that there is little commentary in terms of what exactly defines the public interest and its relevance to outsourcing. The taskforce was of the view that this issue needs to be considered and addressed by the APES Board as it is referred to in most APESB pronouncements.
- The taskforce agreed that the commentary at paragraph 3.3 as currently drafted is confusing and agreed that the following editorial changes are required:

A Member providing ~~or utilising~~ Outsourced Accounting Services should maintain professional competence and take due care in the performance of the Member's work in accordance with Section 130 *Professional Competence and Due Care* of the Code. A Member utilising Outsourced Accounting Services should also consider their obligations under Section 130 *Professional Competence and Due Care* of the Code.

- Paragraph 3.5 –the last sentence of paragraph 3.5 to be amended to read “ ...to safeguard the information and should conduct an evaluation of whether the controls are adequate and functioning in the manner intended.”
- Paragraph 3.8 – The taskforce agreed that obligations under the *Privacy Act* need to be highlighted in paragraph 3.8. The taskforce agreed to include a reference to the *Privacy Act* in a footnote in the following manner: “Members are reminded of the obligation to comply with the *Privacy Act*”. Reference made in the body of paragraph 3.8 should read “The Member should enter into a contractual agreement with the Outsourced Service Provider to maintain the confidentiality of the Client's information in accordance with relevant legislation”

## Scope of Outsourced Accounting Services

- 4.3(i) needs to be removed as it repeats the content of 4.3(e).
- Reference to other laws and regulations should be included in paragraph 4.6.
- 4.3(d) needs to be revised to read “whether the data security measures adhere to applicable legal and regulatory obligations, such as the *Privacy Act*” The reference to the *Privacy Act* should be included as a footnote to paragraph 4.3(d).

## Terms of the Outsourcing Contract

- Use of the term “Outsourcing Contract” was considered and it was agreed that a more appropriate term is “Outsourcing Agreement”. This term also accommodates In-House Service Providers that operate under employment agreements.
- Paragraph 5.1 should be amended to read as follows:

A Member should take reasonable steps to determine, negotiate and document the scope of the Outsourced Accounting Services with the Outsourced Service Provider. ~~The Member should consider the guidance provided in paragraph 5.4.~~

- Paragraph 5.3 requires revision in the following manner to enhance its clarity:

APES 305 *Terms of Engagement* requires that a Member in Public Practice ~~needs to document and communicate the Terms of Engagement. in accordance with APES 305 *Terms of Engagement* and this Guidance Note.~~

- Paragraph 5.4(a) needs to refer “end of the term” as opposed to “end dates”.
- Paragraph 5.4(c) remove reference to “who is performing the service” as often the Service Provider will not be able to specify exactly who will be performing the work.
- Include detailed requirements that data provided to the Member utilising Outsourced Services should be in a readable form, whether printed or electronic.

- Paragraph 5.4 (n) to read “the terms of any limitation of liability ~~an indemnity~~ to the effect that any subcontracting by the Outsourced Service Provider of the outsourced function should be the responsibility of the Outsourced Service Provider including liability for any failure on the part of any subcontractor” APESB will consider adding another paragraph to give further guidance on the Outsourced Service Provider’s subcontractor obligations.
- Paragraph 5.4(q) remove “a period of file retention” and replace with “the terms of file retention” to broaden the requirement.
- Paragraph 5.4(cc) to read as per editorials below:

Where applicable, details of ~~offshoring agreements~~ outsourcing arrangements of the Outsourced Service Provider

#### Performance of the Outsourcing Contract

- Paragraph 6.2 should read “Materiality Business Activity”.
- Paragraph 6.6 should read “A Member in Public Practice should review the work of an Outsourced Service Provider....”

#### Material Business Activities

- The taskforce discussed the need to clarify what outsourcing activities will be considered Material Business Activities and thus within the scope of APES GN 20. The taskforce agreed that case examples would provide Members with useful guidance in this regard. It was agreed that a few examples should be included in an Appendix to the guidance note. Bruce Coombes agreed to provide APESB technical staff with an initial draft of these examples.

### **5. Way forward**

It was agreed that APESB technical staff will incorporate the changes discussed and recirculate the guidance note for review by taskforce members. The revised guidance note will then be presented at the May 2011 APESB Board meeting.

### **6. Close of meeting**

The next meeting of the taskforce will be convened prior to the 23<sup>rd</sup> of May 2011.  
The meeting was closed at 11:35am.