

Analysis of the Proposed Principles of Outsourcing with existing APESB Pronouncements

Proposed Principles to be included in APESB Pronouncement on Outsourced Accounting Services	Included in APES 110	Included in APES 320	Comments/Reference to existing APES requirement	Approach – Standard	Approach – Guidance Note
Definitions			It is proposed that the following new defined terms be included in a proposed pronouncement on Outsourced Accounting Services:		
Material Business Activity means an Outsourced Accounting Service that has the potential if disrupted, to have a significant impact on the Client’s or Employer’s business operations or the Member’s ability to manage organisational risk effectively.	No	No	New defined term.	Include new defined term	Include new defined term
Outsourced means contracting with a Third-Party Service Provider or putting in place an arrangement with an in-house service provider to transfer the responsibility for conducting internal processes to that party to perform a Material Business Activity which if not delivered would materially impact upon the quality, timeliness or scale of service delivered by the Member. [based on APESB Consultation Paper and AICPA, CIMA & CMA Paper]	No	No	New defined term.	Include new defined term	Include new defined term
Outsourced Accounting Services means Professional Services (as defined in APESB standards) provided or utilised by a Member in connection with a contract for Outsourced services.	No	No	New defined term.	Include new defined term	Include new defined term
Third-Party Service Provider means any entity that the Member individually or collectively with other parties, does not control and any individual who is not employed by the Member. [based on AICPA ethical	No	No	New defined term.	Include new defined term	Include new defined term

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ruling, basis of conclusions]					
<p>Fundamental Responsibilities</p> <ul style="list-style-type: none"> • Public Interest; • Objectivity; • Conflicts of interests; • Professional Competence and Due Care; and • Confidentiality 	Yes	Yes	<p>These principles are addressed in detail in APES 110 <i>Code of Ethics for Professional Accountants</i>.</p> <p>APES 320 <i>Quality Control for Firms</i> refers to Relevant Ethical Requirements which include the fundamental principles of the Code.</p>	<p>APESB Drafting Convention 5.2(j) – anchor back to the original requirement.</p> <p>As above.</p>	<p>APESB Drafting Convention 5.2(j) – anchor back to the original requirement.</p> <p>As above.</p>
<p><u>A Member’s obligations when providing Outsourced Accounting Services and/or issues to consider in this context</u></p>					
<ul style="list-style-type: none"> ○ A Member should take reasonable steps to determine, negotiate and document the scope of the Outsourced Accounting Services with the Client or Employer; 	Yes (to an extent)	Yes (to an extent)	<p>Section 210 <i>Professional Appointments</i> of the Code and <i>Acceptance and Continuance of Client Relationships and specific Engagements</i> in APES 320.</p> <p>APES 305 <i>Terms of Engagement</i> stipulate the requirements for Members in Public Practice.</p>	<p>APESB Drafting Convention 5.2(j) – anchor back to the original requirement.</p> <p>As above</p>	<p>APESB Drafting Convention 5.2(j) – anchor back to the original requirement.</p> <p>As above</p>

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			Currently no existing specific professional obligations for Members in Business	Guidance can be provided to assist Members in Business.	Guidance can be provided to assist Members in Business.
<ul style="list-style-type: none"> ○ A Member should take reasonable steps to clearly articulate, agree and document the role and responsibilities of the Member providing Outsourced Accounting Services and the role and responsibilities of the Client or Employer; 	No	No	<p>Guidance paragraph 4.6 of APES 305 <i>Terms of Engagement</i> provides guidance for Members in Public Practice.</p> <p>Currently no existing specific professional obligations for Members in Business</p>	<p>APESB Drafting Convention 5.2(j) – anchor back to the original requirement.</p> <p>Guidance can be provided to assist Members in Business.</p>	<p>APESB Drafting Convention 5.2(j) – anchor back to the original requirement.</p> <p>Guidance can be provided to assist Members in Business.</p>
<ul style="list-style-type: none"> ○ A Member should take reasonable steps to ensure that the Member or the Member’s entity has suitably qualified personnel with the requisite skills and competence to undertake Outsourced Accounting Services; 	Yes	Yes	<p>Section 130 <i>Professional Competence & Due Care</i> (particularly paragraph 130.5) of APES 110 and Human Resources requirements in APES 320 discusses the professional competence of Staff.</p> <p>Whilst APES 320 provides requirements and guidance</p>	<p>APESB Drafting Convention 5.2(j) – anchor back to the original requirement.</p>	<p>APESB Drafting Convention 5.2(j) – anchor back to the original requirement.</p>

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			for Members in Public, a similar pronouncement does not exist for Members in Business.	Guidance can be provided to assist Members in Business.	Guidance can be provided to assist Members in Business.
<ul style="list-style-type: none"> ○ A Member should take reasonable steps to ensure that the skills and competence of personnel of the Outsourced Accounting Service delivery team are subject to periodic review and where necessary appropriate training and professional development is undertaken to ensure the quality of the service delivery; 	Yes	Yes	As above	Guidance can be provided to assist Members in Business.	Guidance can be provided to assist Members in Business.
<ul style="list-style-type: none"> ○ A Member should take reasonable steps to develop and document appropriate communication protocols in respect of Outsourced Accounting Services with the Client or Employer; 	No	No	Proposed new professional obligation.	Guidance can be provided to assist Members.	Guidance can be provided to assist Members.
<ul style="list-style-type: none"> ○ A Member should maintain a policy of professional indemnity insurance with adequate coverage for the range of Outsourced Accounting Services provided; 	No	No	APES 305 Paragraph 6 refers to Limitation of Liability scheme and the need for insurance. This standard is only applicable to Members in Public Practice.	APESB Drafting Convention 5.2(j) – anchor back to the original requirement.	APESB Drafting Convention 5.2(j) – anchor back to the original requirement.
<ul style="list-style-type: none"> ○ A Member should develop and document appropriate policies and procedures to ensure the quality of the Outsourced Accounting Services 	No	Yes	APES 320 <i>Quality Control for Firms</i> addresses this for Members in Public	APESB Drafting Convention 5.2(j) – anchor back to the original	APESB Drafting Convention 5.2(j) – anchor back to the original

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provided to the Client or Employer;			Practice. Currently no existing specific professional obligations for Members in Business	requirement. Guidance can be provided to assist Members in Business.	requirement. Guidance can be provided to assist Members in Business.
<ul style="list-style-type: none"> ○ A Member should ensure that they have in place an appropriate risk management framework. 	No	Yes	<p>APES 320 <i>Quality Control for Firms</i> does not specifically use the phrase “risk management” however APES320 requires the firm to establish a system of quality control.</p> <p>APESB also currently working on proposed Risk Management standard (APES 325) that will be applicable to Members in Public Practice.</p> <p>Currently no existing specific professional obligations for Members in</p>	<p>APESB Drafting Convention 5.2(j) – anchor back to the original requirement.</p> <p>Potentially can cross refer if the APES Board issues a risk management pronouncement in the future?</p> <p>Guidance can be provided to assist Members in Business.</p>	<p>APESB Drafting Convention 5.2(j) – anchor back to the original requirement.</p> <p>Potentially can cross refer if the APES Board issues a risk management pronouncement in the future?</p> <p>Guidance can be provided to assist Members in Business.</p>

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			Business		
<ul style="list-style-type: none"> ○ A Member should develop appropriate contingency plans or disaster recovery plans to ensure continuity of Outsourced Accounting Services; 	No	No	Proposed new professional obligation.	This should be a mandatory requirement for Members in Public Practice and guidance for Members in Business	Guidance can be provided to assist Members.
<ul style="list-style-type: none"> ○ A Member should develop, document and adhere to policies and procedures to manage data security, including complying with applicable legal obligations that address matters of privacy and confidentiality; 	Yes (To an extent)	No	Confidentiality is a fundamental responsibility (APES 110 <i>Code of Ethics for Professional Accountants</i> – refer above). However, APES 110 does not provide specific requirements in relation to the management of data security.	APESB Drafting Convention 5.2(j) – anchor back to the original requirement.	APESB Drafting Convention 5.2(j) – anchor back to the original requirement.
<ul style="list-style-type: none"> ○ A Member should develop, document and adhere to policies and procedures designed to monitor and manage the delivery of the Outsourced Accounting Service. 	No	Yes	APES320 <i>Quality Control for Firms</i> requires the firm to have a system of quality control in place. Currently no existing specific professional obligations for Members in	APESB Drafting Convention 5.2(j) – anchor back to the original requirement. Guidance can be provided to assist	Guidance can be provided to assist Members in

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			Business	Members in Business.	Business.
<u>A Member’s obligations when utilising Outsourced Accounting Services and/or issues to consider in this context</u>					
<ul style="list-style-type: none"> A Member should take reasonable steps to ensure that the entity’s risk management framework deals with the risks associated with outsourcing of the Material Business Activity; 	No	Yes	<p>Monitor development of proposed standard APES 325 <i>Risk Management</i> and provide a cross reference to the principles contained therein.</p> <p>Currently no existing specific professional obligations for Members in Business</p>	<p>Potentially can cross refer to APES 325 if the APES Board issues a risk management pronouncement in the future?</p> <p>Guidance can be provided to assist Members in Business.</p>	<p>Potentially can cross refer to APES 325 if the APES Board issues a risk management pronouncement in the future?</p> <p>Guidance can be provided to assist Members in Business.</p>
<ul style="list-style-type: none"> A Member should take reasonable steps to determine, negotiate and document the scope of the Outsourced Accounting Service with the Third-Party Service Provider or in-house service provider; 	No	No	<p>APES 305 Terms of Engagement requires the details of the involvement of another Member in Public Practice on some aspects of an Engagement to be documented in the engagement document.</p> <p>APES 305 however specifies that the engagement document be</p>	<p>APESB Drafting Convention 5.2(j) – anchor back to the original requirement.</p>	<p>APESB Drafting Convention 5.2(j) – anchor back to the original requirement.</p>

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			<p>communicated to the client, however there is no specified requirement to do so with a third party service provider.</p> <p>Currently no existing specific professional obligations for Members in Business</p>		<p>Guidance can be provided to assist Members in Business.</p>
<ul style="list-style-type: none"> A Member should take reasonable steps to clearly articulate, agree and document the roles and responsibilities of the Member, the Third-Party Service Provider or in-house service provider who is going to provide the Outsourced Accounting Service; 	No	No	As above.	Guidance can be provided to assist Members.	Guidance can be provided to assist Members.
<ul style="list-style-type: none"> A Member should define and document realistic service levels which are expected of the Third-Party Service Provider or in-house service provider and include these details in the Service Level Agreement (SLA); 	No	No	As above.	Guidance can be provided to assist Members.	Guidance can be provided to assist Members.
<ul style="list-style-type: none"> A Member should develop key selection criteria (taking into consideration suggested minimum criteria that could be incorporated into the Guidance Note) to determine the Third-Party Service Provider that is best suited for the requirements of the Outsourced Accounting 	No	No	Proposed new professional obligation.	Guidance can be provided to assist Members.	Guidance can be provided to assist Members.

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Service;					
<ul style="list-style-type: none"> A Member should develop a Request For Proposal (RFP) that incorporates the entity’s strategic requirements which are linked with the business case for the Outsourced Accounting Service. At this stage, service level targets can be developed and incorporated into the RFP; 	No	No	Proposed new professional obligation.	Guidance can be provided to assist Members.	Guidance can be provided to assist Members.
<ul style="list-style-type: none"> A Member should conduct appropriate due diligence on the potential Third-Party Service Providers, including a consideration of the policies and procedures to manage data security to comply with applicable legal obligations that address matters of privacy and confidentiality, in order to select the most appropriate Third-Party Service Provider. 	No	Yes (to an extent)	<p>APES 320 <i>Quality Control for Firms</i> touches on this issue in paragraph 68 which gives the guidance that prior to contracting for external services, the firm should consider whether the external provider is suitably qualified.</p> <p>Proposed new professional obligation.</p>	Potentially a mandatory requirement for Members in Public Practice and guidance for Members in Business	Guidance can be provided to assist Members.
<ul style="list-style-type: none"> Once the Third-Party Service Provider is selected or if an in-house service provider is to provide the Outsourced Accounting Service, then the Member needs to develop and document a suitable transition plan and appropriate SLA’s; 	No	No	Proposed new professional obligation.	Guidance can be provided to assist Members.	Guidance can be provided to assist Members.
<ul style="list-style-type: none"> A Member should take reasonable steps to ensure that the SLA’s include specific 	No	No	Proposed new	Guidance can be provided to assist	Guidance can be provided to assist

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performance metrics to measure the Third-Party Service Provider’s or in-house service provider’s performance;			professional obligation.	Members.	Members.
<ul style="list-style-type: none"> SLA’s should be reviewed periodically to ensure they are kept up to date with changing business needs; 	No	No	Proposed new professional obligation.	Guidance can be provided to assist Members.	Guidance can be provided to assist Members.
<ul style="list-style-type: none"> A Member should take reasonable steps to ensure that the contract provisions include specific provisions about the ownership, lien and rights of access to documents and records including original source data and supporting materials. 	No	No	Proposed new professional obligation.	Potentially a mandatory requirement for Members in Public Practice and guidance for Members in Business	Guidance can be provided to assist Members.
<ul style="list-style-type: none"> Where a Member in Public Practice utilises an Outsourced Accounting Service, the Member should disclose the nature, details and extent to which Outsourced Accounting Services are used in the delivery of the Professional Service and obtain written consent from the Client to use those Outsourced Accounting Services. 	No	No	Proposed new professional obligation.	Potentially a mandatory requirement for Members in Public Practice and guidance for Members in Business	Guidance can be provided to assist Members.
<ul style="list-style-type: none"> A Member should take reasonable steps to ensure that the contract provisions include well defined dispute resolution mechanisms as well as the process to exit the contract for Outsourced services. 	No	No	Proposed new professional obligation.	Guidance can be provided to assist Members.	Guidance can be provided to assist Members.

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<ul style="list-style-type: none"> A Member should take reasonable steps to develop and document appropriate communication protocols between the entity and the Third-Party Service Provider or internal service line as applicable; 	No	No	Proposed new professional obligation.	Guidance can be provided to assist Members.	Guidance can be provided to assist Members.
<ul style="list-style-type: none"> A Member should take reasonable steps to develop and document appropriate procedures to manage the relationship with the Third-Party Service Provider and to monitor performance (i.e. service level management); 	No	No	Proposed new professional obligation.	Guidance can be provided to assist Members.	Guidance can be provided to assist Members.
<ul style="list-style-type: none"> A Member should review the work of a Third-Party Service Provider or an in-house service provider to ensure that the objectives of the engagement have been achieved, the work has been performed in accordance with applicable Professional Standards and regulatory/legal requirements, and the work performed supports the conclusions reached and is appropriately documented; 	Yes	Yes	<p>Section 130 Professional Competence & Due Care of APES 110.</p> <p>Engagement Performance section of APES320 <i>Quality Control for Firms</i>.</p> <p>Currently no specific professional obligations for Members in Business</p>	<p>APESB Drafting Convention 5.2(j) – anchor back to original requirement.</p> <p>Guidance can be provided to assist Members in Business.</p>	<p>APESB Drafting Convention 5.2(j) – anchor back to original requirement.</p> <p>Guidance can be provided to assist Members in Business.</p>
<ul style="list-style-type: none"> A Member should take reasonable steps to establish and document appropriate governance structures and processes so that there are mechanisms for the entity and the Third-Party Service Provider or in-house service 	No	No	Proposed new professional obligation.	Guidance can be provided to assist Members.	Guidance can be provided to assist Members.

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provider to manage daily operations as well as address issues that arise during the course of the outsourcing arrangement;					
<ul style="list-style-type: none"> A Member should develop and document contingency plans that would enable the Outsourced Accounting Service to be provided by an alternative Third-Party Service Provider or to brought in-house if required. 	No	No	Proposed new professional obligation.	Potentially a mandatory requirement for Members in Public Practice and guidance for Members in Business	Guidance can be provided to assist Members.
<ul style="list-style-type: none"> A Member in Public Practice should ensure that they adhere to the requirements of APES 320 <i>Quality Control for Firms</i> 	No	Yes	APES 320 <i>Quality Control for Firms</i> . Currently no specific professional obligations for Members in Business	APESB Drafting Convention 5.2(j) – anchor back to original requirement.	APESB Drafting Convention 5.2(j) – anchor back to original requirement. Guidance can be provided to assist Members.
<u>Contract for Outsourced Accounting Services</u>					
<p>The following matters should be addressed in a Contract for Outsourced Accounting Services:</p> <ul style="list-style-type: none"> The scope of the outsourcing arrangement and Outsourced Accounting Services; 	No	No	Proposed new professional obligation as guidance.	Guidance paragraph or Appendix to Standard.	Guidance paragraph or Appendix to Guidance Note.

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<ul style="list-style-type: none"> ○ Terms of agreement ○ Commencement and end dates; ○ Review provisions; ○ Pricing and fee structure; ○ Reimbursement of expenses; ○ Taxation obligations (GST); ○ Payment terms; ○ Obligations of the entity (Client); ○ Change of service requests; ○ Service levels and performance requirements; ○ Ownership, lien and rights of access (including access by regulatory authorities) to documents and records; ○ Audit and monitoring procedures; ○ Business continuity management; ○ Confidentiality, privacy and security of information; ○ Default arrangements and termination provisions; ○ Representations and warranties; ○ Dispute resolution arrangements; ○ Liability and indemnity; ○ Subcontracting; ○ Changes in business structures and/or 					

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<p>ownership (including the effect novated agreements entered into by Third-Party Service Providers);</p> <ul style="list-style-type: none"> ○ Use of third party materials; ○ Insurance; and ○ To the extent applicable, off shoring arrangements (including through subcontracting). 					
<u>Service Level Agreement</u>					
<p>The following matters should be addressed in a Service Level Agreement:</p> <ul style="list-style-type: none"> (a) Communication service level; (b) Escalation of operational issues/problems, specifying levels of escalation and relevant key contacts; (c) Delivery; (d) Quality control; (e) Target response times for the range of functions that form the Outsourced Accounting Services identifying, for example, the Material Business Activity or process, the party responsible for the activity or process and the target response time. 	No	No	Proposed new professional obligation as guidance.	Guidance paragraph or Appendix to Standard.	Guidance paragraph or Appendix to Guidance Note.

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End.