

Agenda Item 3 (a) – Summary of Outsourced Service Models

Model	Examples	APES GN 30 Applicable ¹	Key Risks (information and data)	Benefits	Data storage and access
Outsourced Service conducted in Australia	1) An Australian accounting firm uses an Australian external provider and the work is conducted in Australia.	Yes	<ul style="list-style-type: none"> • Third-party access to client data within Australia. • Potential privacy and confidentiality breaches. • Lack of knowledge of external provider's quality controls, expertise and management of information. 	<ul style="list-style-type: none"> • External providers may have specific expertise and/or economic/efficient processes. 	<ul style="list-style-type: none"> • Third-party in Australia; • Via the cloud (which could be offshore); or • Remote access to the accounting firm.
Outsourced service to an Australian entity where the work is done offshore	2) An Australian accounting firm uses an Australian external provider. However, the external provider has an entity offshore that conducts the work.	Yes	<ul style="list-style-type: none"> • Third-party access to client data – risk may increase as work being done, and potentially data being accessed offshore. • Potential privacy and confidentiality breaches. • Lack of knowledge of external provider's quality controls, expertise and management of information. 	<p>External provider:</p> <ul style="list-style-type: none"> • May have specific expertise and/or economic/efficient processes. • May provide the service at a lower cost. 	<ul style="list-style-type: none"> • Third-party offshore; • Via the cloud (which could be offshore); or • Remote access to the accounting firm.
Outsourced service offshore	3) An employee of an external offshore service provider remotely logs in to an Australian accounting firm and provides processing services.	Yes	<ul style="list-style-type: none"> • Third-party access to client data – the risk may increase as work being done offshore. • Potential privacy and confidentiality breaches. • Lack of knowledge of external provider's quality controls, expertise and management of information. 	<p>External provider:</p> <ul style="list-style-type: none"> • May have specific expertise and/or economic/efficient processes. • May provide the service at a lower cost. 	Data may be stored by the Australian firm (not the outsourced service provider) and access control processes could be put in place. However, access could be via the cloud (which could be offshore).

¹ This assumes that the outsourced service involves a Material Business Activity as defined in APES GN 30.

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	4) The external offshore service provider undertakes processing services overseas and maintains responsibility for quality and security.	Yes	<ul style="list-style-type: none"> • Third-party access to client data – the risk may increase as work being done and data being accessed offshore. • Potential privacy and confidentiality breaches. • Lack of knowledge of external provider’s quality controls, expertise and management of information (potentially lower than the above examples). 	<p>External provider:</p> <ul style="list-style-type: none"> • May have specific expertise and/or economic/efficient processes. • May provide the service at a lower cost. • The external provider takes responsibility for quality and security (ultimate responsibility remains with Australian firm). 	<ul style="list-style-type: none"> • Third-party offshore; or • Via the cloud (which could be offshore).
Offshoring that may not be an outsourced service	5) Service Delivery Centre (SDC) that is a network firm that provides services to other firms within the network.	Depends on the circumstances and nature of the engagement, including if have the same quality control policies and procedures.	Risks reduced as data within the network and all firms within the network likely subject to the network quality control policies and procedures. However, the data may still be offshore.	The SDC may have specific expertise and economies of scale to provide the service at a lower cost.	Data stored within the network or cloud facilities (which could be offshore in both instances).