

ACCOUNTING PROFESSIONAL & ETHICAL STANDARDS BOARD LIMITED
MINUTES OF THE 7th MEETING OF THE APES GN 30 OUTSOURCING TASKFORCE
4 July 2012 3.30 – 4.30 PM
Teleconference

1. Present and Apologies

Present

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

In Attendance

Mr. Stuart Black (Board Member), Mr Robert Nickel, Ms Rozelle Azad and Ms Margareth Lioe

Apologies

Mr Harry Rosenberg

2. Minutes of previous meeting

The minutes of the 6th Outsourcing taskforce meeting held by teleconference on 18 April 2011 were accepted without amendment.

3. Update on Status of APES GN 30 and general feedback on submissions received

The Chairman provided the taskforce with an update of the current status of the proposed guidance note noting that the general feedback from submissions received was consistent and not entirely supportive of the guidance note in its current form.

4. Discussion of key issues raised by respondents

The Chairman directed the taskforce to the high level issues discussion in the technical analysis paper for discussion.

Consistency with international developments in Outsourcing

The Chairman informed the taskforce that there were a number of respondents who opposed to the development of a guidance note without an international equivalent. A taskforce member noted the existence of an AICPA standard on tax outsourcing and acknowledged that there do not seem to be any guidance notes in this area.

The taskforce agreed that that a lack of international standards in this area should not impede APESB development of a pronouncement. It was acknowledged that many of APESB's current standards have no international equivalent.

Structure and drafting style of the proposed guidance note

The Chairman advised the taskforce that technical staff will review the guidance note and revise the style of drafting to incorporate sufficient flexibility. This will assist the reader to distinguish the document as a

guidance note as opposed to a standard. The taskforce agreed with the suggested approach noting that redrafting the guidance note will address a number of the other issues raised by respondents to the exposure draft.

Interaction of APES GN30 with ASA600 and application to group audits

The taskforce agreed that exclusion of engagements that fall within the scope of auditing standards is appropriate and will provide additional clarity to the reader on the scope of APES GN 30.

Interaction with other standards and regulation

The taskforce discussed the flexibility associated with paragraph 1.9 and agreed that sufficient attention to this issue should be highlighted in the media release that accompanies the issuance of the final guidance note. The intention is to highlight the fact that the guidance note is applicable not only to Members in Public Practice but also to Members in Business, to the extent practicable. The taskforce considered including such comments in the Basis of Conclusions document however agreed that a wider audience would be exposed to the media release.

Treatment of existing contracts

The taskforce discussed respondents' concerns with the application of APES GN 30 to existing contracts. The taskforce agreed that since the pronouncement is a guidance note and not a standard, the inclusion of a formal commencement date is inappropriate. It was further agreed that including an explanatory paragraph in APES GN 30 which discusses the application of guidance to existing contracts would be preferable and would address respondents' concerns.

Scope of guidance in relation to the provision of Outsourced Services

The scope of the guidance note was considered by the taskforce as follows:

- Limitation of the scope to the utilisation of Outsourced Services

A taskforce member noted that the taskforce always intended that the provision of services would be within the scope of APES GN 30. The need to consider service delivery standards was highlighted and emphasised particularly given the expected growth of Outsourced Services in practice. Following this discussion, the taskforce agreed that the provision of Outsourced Services would remain within the scope of the guidance note.

- Application to Network Firms

The Chairman noted that AICPA guidance includes discussion of controlled entities and the need to consider control as a factor in determining the applicability of the guidance to Network Firms. A taskforce member noted that the applicability of the guidance should not be dependent on merely the name of the Firm, rather the substance of the arrangement. Further taskforce discussion led to the conclusion that respondents were concerned with the application of paragraph 3.10. The taskforce agreed that these concerns were likely to be alleviated by redrafting the guidance note to incorporate more flexibility.

Definitions

The Chairman advised the taskforce that technical staff would review the definitions in APES GN 30 and redraft where appropriate to enhance clarity.

Disclosure requirement for written consent

The taskforce discussed the issue of disclosure and agreed that as a minimum there is a need to state in an Engagement letter that the Firm may utilise Outsourced Services in the provision of Professional Services to a Client. It was suggested that for a Client with serious apprehension about Outsourcing, this provides a

sufficient flag to highlight the potential risk to that Client. Taskforce members were of the view that the inclusion of words such as “may” and “will” in the engagement letter provides additional flexibility to the Firm in providing Professional Services to Clients.

The taskforce sought comments from an acknowledged well-experienced taskforce member in relation to his observations in practice. The taskforce member noted that there is currently little to no consistency with the type of information that is being disclosed with some Firms disclosing each and every instance that Outsourced Services are used and others merely saying that they may or may not use such services.

The Chairman noted that further direction on this matter would be sought from the Board.

Other Issues Raised by Taskforce Members

The term “appropriate due diligence” (as referred to in paragraph 4.3) was discussed and the potential benefit of including guidance on this matter considered by the Taskforce. It was agreed that guidance could be provided in an appendix in the form of a checklist for ease of use by the Member.

5. Way Forward

The Chairman advised the taskforce that he would communicate the outcomes of this taskforce meeting to the Board for their consideration of issues. Following the July Board meeting, technical staff will redraft APES GN 30 to incorporate agreed changes and present a revised draft to the taskforce for further consideration.

6. Close of meeting

The next meeting of the taskforce will be convened at a date to be determined.

The meeting was closed at 4.30pm.