

**ACCOUNTING PROFESSIONAL & ETHICAL STANDARDS BOARD LIMITED**

**MINUTES OF THE 8<sup>th</sup> MEETING OF THE APES GN 30 OUTSOURCING TASKFORCE**

**2nd October 2012 3.00 – 3.45 PM**

**Teleconference**

**1. Present and Apologies**

Present

Mr. Channa Wijesinghe (Chairman), Mr Reece Agland, Mr Bruce Coombes, Mr Peter Docherty, Mr Harry Rosenberg and Dr Eva Tsahuridu.

In Attendance

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

Apologies

Mr David Carter and Mr Paul Meredith.

**2. Minutes of previous meeting**

The minutes of the 7<sup>th</sup> Outsourcing taskforce meeting held by teleconference on 4<sup>th</sup> July 2012 were accepted without amendment.

**3. Update on Status of APES GN 30 and general feedback from the APES Board**

The Chairman provided the taskforce with an update of the current status of the proposed guidance note noting the Board's feedback on the Technical Analysis Paper discussed by the Taskforce at the 4<sup>th</sup> July 2012 meeting.

**4. Discussion of changes made to proposed APES GN30 as a result of stakeholder comments and Board feedback**

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

Consistency with international developments in Outsourcing

The Chairman informed the taskforce that the Board agreed with the view presented in the Technical Analysis Paper that a lack of international standards in this area should not impede APESB development of a pronouncement. The taskforce were supportive of this view with no further issues raised.

Structure and drafting style of the proposed guidance note

The Chairman informed the taskforce that technical staff had made editorial amendments following from the Board view that greater flexibility should be incorporated into the guidance note. The taskforce generally agreed with the amendments proposed by Technical Staff to provide further flexibility.

## Interaction of APES GN 30 with ASA 600 group audits and Network Firms

The Chairman informed the taskforce of newly drafted paragraph 1.6 and noted that the key concern in this area is whether the Client has been informed of the use of Outsourced Services under engagements subject to the requirements of ASA 600 and audit engagements utilising Network Firms. The taskforce agreed with the approach taken.

## Interaction with other standards and regulation

The Chairman highlighted paragraphs 1.2 and 1.5 of the proposed Guidance Note and discussed the flexibility introduced by these paragraphs where other standards and regulations may apply. The Chairman further noted the consistency of definitions in the proposed Guidance Note with those included in Prudential Standard CPS 231 *Outsourcing*.

## Treatment of existing contracts

The Chairman advised the taskforce of research conducted that found that some guidance notes issued by other standard setting bodies incorporated an application date in a manner similar to standards. The taskforce agreed with the inclusion of an application date for the guidance note and further discussed the appropriate timing for application. Two approaches were considered:

1. Immediate application from the date of issue of the guidance note to potentially reduce confusion for Members; and
2. An application date such as 1 April 2013 to allow Members time to consider the implications of the guidance.

The taskforce discussed the issue and agreed that the guidance note can be effective from the date of issue similar to APES GN 40. As it is only best practice guidance and due to the changes made to address respondents comments (such as moving the Service Level Agreement to an appendix) the taskforce was of the view that an additional period was not required.

## Scope of guidance in relation to the provision of Outsourced Services

The Chairman advised the taskforce of the Board's view that the provision of Outsourced Services should remain within the scope of the guidance note.

## Definitions

The Chairman directed the taskforce to the revised definitions in the proposed guidance note and their consistency with Prudential Standard CPS 231 *Outsourcing*. The taskforce discussed and agreed with the revisions subject to minor editorials.

## Disclosure requirement for written consent

The taskforce discussed the issue of Outsourcing arrangements and the requirement to provide the Client with written consent. The Chairman advised that the key issue for Members to consider is whether the one-off arrangement is considered a Material Business Activity. The taskforce agreed that disclosure to a client is best practice when the client's confidential information is going offshore regardless of the entities involved.

## Other Issues Raised by Taskforce Members

The Chairman invited other comments on the revised draft of APES GN30 and the taskforce made the following comments:

- the definition of Cloud Computing should not make reference to the term 'network' to avoid any confusion with the defined term 'Network'; and
- appendix 3 of the proposed Guidance Note should be redrafted to be more generic.

The Chairman advised the taskforce that minor editorial changes will be addressed offline and if the taskforce has any other editorial amendments to send it as soon as possible.

## **5. Way Forward**

The Chairman advised the taskforce that Technical Staff would update the proposed APES GN30 to incorporate discussions held and other minor editorials and will circulate to the taskforce for final review. Thereafter the redrafted APES GN30 will be presented to the APES Board for consideration at the November 2012 meeting.

The Chairman thanked the taskforce for their support and input for the duration of the APES GN30 project.

## **6. Close of meeting**

The meeting was closed at 3.45pm.