



Grant Thornton

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30 March 2012

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Dear Kate

PROPOSED GUIDANCE NOTE: APES GN 30 OUTSOURCED SERVICES (ED 01/12)

Grant Thornton Australia Limited (Grant Thornton) appreciates the opportunity to comment on the Accounting Professional and Ethical Standards Board's (APESB) proposed Guidance Note: APES GN 30 (ED 01/12).

Grant Thornton's response reflects our position as auditors and business advisers both to listed companies and privately held companies and businesses.

Grant Thornton does not support the release of a Guidance Statement based on ED 01/12 for the following reasons:

Whilst it is headed as a Guidance Note, ED 01/12 has mandatory requirements that Grant Thornton believes are excessive and do not necessarily reflect the significance of the outsourced service. For instance the outsourcing of communications such as mailings, might be caught by the definition of a Material Business Activity as it does impact the timeliness of communications, however is there really a need to have 29 separate conditions that are set out in Para 5.5 of ED 01/12? Whilst Para 5.5 might be read as providing some discretion on whether all 29 conditions need to be met, the use of the phrase 'that includes the following depending on the particular circumstances' could be better worded to state 'that *may* include the following etc.'. As it presently stands, the Guidance is clearly not guidance but contains mandatory requirement that requires justification where not followed.

The definitions as they relate to 'outsourcing' and 'material business activity' need clarification to ensure that using the services of a network firm where there are already common controls and procedures such as for audits which are covered by Auditing Standards, need to be excluded from the scope of this Guidance Note, particularly as there are at present, mandatory requirements in ED 01/12.

Grant Thornton notes that Para 1.9 of ED 01/12 states that Members in Business should apply this Guidance Note to the extent practicable. We do not see why Members in Business should have such discretion particularly when they are competing with Members in Practice in providing Outsourcing Services.

It is noted that the International Ethics Standards Board for Accountants (IESBA) has not issued a pronouncement equivalent to ED 01/12, and that provides further reasons as to why ED 01/12 should not have mandatory requirements, given that at this the Guidance Note will impose additional costs on Australian Members in Practice. Until the IESBA has considered the issue of Outsourced Services, Grant Thornton believes that there should be no mandatory requirements applying to Australian Members in Practice.

Grant Thornton does believe that ED 01/12 provides useful guidance but it should not at this time be mandatory without international support.

If you require any further information or comment, please contact me.

Yours sincerely
GRANT THORNTON AUSTRALIA LIMITED



Keith Reilly
National Head of Professional Standards