

## AGENDA PAPER

**Item Number:** 20  
**Date of Meeting:** 22 November 2011  
**Subject:** APES 325 *Risk Management for Firms*

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### Purpose and background

To obtain the Board's approval to issue the proposed Standard APES 325 *Risk Management Firms*.

### Background

CPA Australia (CPAA) and the Institute of Chartered Accountants in Australia (ICAA) presented a project proposal to the APES Board meeting in February 2008 to develop a proposed standard on risk management. Following the APES Board meeting in May 2008, CPAA and ICAA provided a further memo addressing issues arising out of legislative developments impacting on members and the importance for Members in Public Practice to have a risk management framework. At the August 2008 meeting, the Board agreed that a Taskforce be convened to oversee the development of a proposed pronouncement on risk management for a Firm.

The APES 325 Risk Management Taskforce has met seven times since inception. Initially the taskforce identified broad principles that could be addressed in a risk management standard. These principles were further discussed and categorised into three broad categories – framework for a standard, potential content for a standard focusing on certain risk management policies and particular risks that could be identified or used to provide guidance.

Thereafter the taskforce developed the proposed principles for risk management. The APES Board approved the proposed principles at its May 2010 Board meeting. Subsequently the taskforce developed the exposure draft which is modelled on APES 320 *Quality Control for Firms*. The exposure draft was initially presented at the November 2010 Board meeting. Following Board review comments, the exposure draft was presented at the May 2011 Board Meeting. The exposure draft was approved via circular resolution in June 2011 and released for public comment

The exposure draft closed for comments on the 22 August 2011 and six submissions were received from firms, professional bodies and members.

## Consideration of issues

The following key issues were identified by respondents:

- The Firm's quality control policies and procedures developed in accordance with APES 320 should be embedded within the Risk Management Framework. Accordingly a new paragraph 3.3 has been included within the proposed Standard to address this issue.
- Paragraph 4.2 – Human resource risks and Stakeholder risks are added to paragraph 4.2 as recommended by a respondent.
- Paragraphs 4.3 and 4.8 – reference to *AS/NZS ISO 31000: 2009 Risk Management – Principles and Guidelines* is now included.
- Paragraph 4.5 – the leadership responsibility for Risk Management is placed on the leadership of the firm in a similar manner to APES 320.
- Paragraph 5.3 – additional guidance provided in respect of the monitoring process of the Firm's Risk Management Framework.
- Paragraph 6.5 – editorial amendments in respect of documentation of the Firm's Risk Management Framework.

## Staff Recommendation

Subject to the Board's review comments, Technical Staff recommend that the Board approve the issue of APES 325 *Risk Management for Firms* with a commencement date of 1 January 2013 with early adoption permitted.

## Material Presented

- APES 325 *Risk Management for Firms* (Marked Up);
- APES 325 *Risk Management for Firms* (Clean);
- General Comments Table;
- Specific Comments Table; and
- Draft Taskforce Meeting Minutes.

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**Date:** 14 November 2011