

27 October 2015

APESB issues revised APES 325 *Risk Management for Firms*

Accounting Professional & Ethical Standards Board Limited (APESB) today announced the issue of the revised APES 325 *Risk Management for Firms* (Revised APES 325) to replace the existing APES 325 (Issued December 2011).

Please refer to Appendix 1 of this technical update for details of the revisions. The revised APES 325 will be effective from 1 January 2016 with early adoption permitted.

The revised standard is available from APESB's website: www.apesb.org.au

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Appendix 1

Revisions to existing APES 325 (December 2011)

Accounting Professional & Ethical Standards Board Limited (APESB) has approved the following revisions to APES 325 *Risk Management for Firms* which was originally issued in December 2011.

Paragraph Reference	Revisions
1.1	<p>The objectives of APES 325 <i>Risk Management for Firms</i> are to specify the mandatory obligations of a Firm to:</p> <ul style="list-style-type: none"> • <u>establish and maintain a Risk Management Framework in order to identify, assess and manage key organisational Risks;</u> • <u>monitor the Firm's Risk Management Framework on an ongoing basis; and</u> • <u>document the Firm's Risk Management Framework and to communicate its Risk Management policies and procedures to its Personnel.</u>
1.4 2	<p>Accounting Professional & Ethical Standards Board Limited (APESB) issues <u>has revised</u> professional standard APES 325 <i>Risk Management for Firms</i> (the Standard). A Risk Management Framework in compliance with this Standard is required to be established by Firms by 1 January 2013. <u>This Standard supersedes APES 325 issued in December 2011 and Firms are required to incorporate appropriate amendments to their Risk Management Frameworks by 1 January 2016.</u> Earlier adoption of this Standard is permitted.</p>
1.2 3	<p>APES 325 sets the standards for Members in Public Practice to establish and maintain a Risk Management Framework in their Firms in respect of the provision of quality and ethical Professional Services. Members have a responsibility, whether as owner, Partner or employee, to ensure that the Firm implements the requirements of the Standard. The level of responsibility will depend on the position held by each Member in the Firm, but as a minimum all Members should participate in the Firm achieving the objectives of the Standard. The Standard adopts <u>identifies</u> the Firm as the overarching entity which must implement the requirements of the Standard, but it is the Firm's Members in Public Practice who have responsibility to ensure this occurs.</p>
1.3 4	<p>The mandatory requirements of this Standard are in bold-type (black lettering), preceded or followed by discussion or explanations in normal type (grey type). APES 325 should be read in conjunction with other professional duties of Members in Public Practice, and any legal obligations that may apply.</p>
1.9 10	<p>In applying the requirements outlined in APES 325, Members in Public Practice should be guided not merely by the words but also by the spirit of the <u>this</u> Standard and the Code.</p>
1.11	<p><u>In this Standard, unless otherwise specified, words in the singular include the plural and vice versa, words of one gender include another gender, and words referring to persons include corporations or organisations, whether incorporated or not.</u></p>

2	<p><u>Client</u> means an individual, firm, entity or organisation to whom or to which Professional Activities are provided by a Member in Public Practice in respect of Engagements of either a recurring or demand nature.</p> <p><u>Member</u> means a member of a Professional Body that has adopted this Standard as applicable to their membership, as defined by that Professional Body.</p> <p><u>Member in Public Practice</u> means a Member, irrespective of functional classification (e.g., audit, tax, or consulting) in a Firm that provides Professional Services. The <u>This</u> term is also used to refer to a Firm of Members in Public Practice and means a practice entity <u>and a participant in that practice entity</u> as defined by the applicable Professional Body.</p> <p><u>Network</u> means a larger structure:</p> <p>(i) <u>a) That is aimed at co-operation; and</u></p> <p>(ii) <u>b) That is clearly aimed at profit or cost sharing or shares common ownership, control or management, common quality control policies and procedures, common business strategy, the use of a common brand-name, or a significant part of professional resources.</u></p> <p><u>Professional Activity</u> means an activity requiring accountancy or related skills undertaken by a Member, including accounting, auditing, taxation, management consulting, and financial management.</p> <p><u>Professional Bodies</u> means Chartered Accountants Australia and New Zealand, CPA Australia and the Institute of Public Accountants.</p> <p><u>Professional Services</u> means services requiring accountancy or related skills <u>Professional Activities performed for Clients by a Member in Public Practice including accounting, auditing, taxation, management consulting and financial management services.</u></p>
3.1	<p>An effective Risk Management Framework should assist a Firm to meet its overarching public interest obligations as well as its business objectives by:</p> <p>(a) Facilitating business continuity;</p> <p>(b) Enabling quality and ethical <u>Professional s</u>Services to be rendered to <u>e</u>Clients; and</p> <p>(c) Protecting the reputation and credibility of the Firm.</p>
6.2	<p>The form and content of documentation of the Risk Management Framework for a Firm is a matter of judgement and depends on a number of factors, including:</p> <ul style="list-style-type: none"> • The number of Personnel and offices of the Firm; and • The nature and complexity of the Firm's practice and the <u>Professional s</u>Services provided.
Appendix 1	Summary of revisions to the previous APES 325 (Issued December 2011) – Added