

6 September 2019

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* (APES 325) to replace the existing APES 325 (Issued December 2017).

The key changes in the revised APES 325 consist of:

- Revisions to reflect the restructured APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code), issued in November 2018;
- Inclusion of a reference to requirements relating to *Responding to Non-Compliance with Laws and Regulations* in the Code; and
- Updated reference to new AS ISO 31000:2018 *Risk Management – Guidelines*.

Please refer to Appendix 1 of this technical update for details of all the revisions. The revised APES 325 will be effective for Firms from 1 January 2020 with early adoption permitted.

APESB has incorporated the following interactive PDF features within the revised APES 325:

- Bookmark tab section for contents page;
- Dynamic links to sections and paragraphs;
- Pop-up definitions upon mouse rollover for defined terms; and
- Links to external websites.

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

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Technical Enquiries:

Mr. Channa Wijesinghe
Chief Executive Officer
Email: channa.wijesinghe@apesb.org.au
Phone: 03 9642 4372

Appendix 1

Revision to APES 325 (Issued December 2017)

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 and revised in October 2015 and December 2017.

Paragraph Reference	Revisions
1.2	Accounting Professional & Ethical Standards Board Limited (APESB) has revised professional standard APES 325 <i>Risk Management for Firms</i> (the Standard). A Risk Management Framework in compliance with this Standard was required to be established by Firms by 1 January 2013. This Standard supersedes APES 325 issued in December 2011 and revised in October 2015 <u>December 2017</u> , and Firms are required to incorporate appropriate amendments to their Risk Management Frameworks by 1 April 2018 <u>January 2020</u> . Earlier adoption of this Standard is permitted.
1.7	Members in Public Practice shall be familiar <u>comply with relevant other applicable</u> Professional Standards and be familiar with relevant <u>comply with relevant</u> guidance notes when providing Professional Services. All Members shall comply with the fundamental principles outlined in the Code.
2	<u>Defined terms are shown in the body of the Standard in title case.</u> For the purpose of this Standard:
2	Code means APES 110 <i>Code of Ethics for Professional Accountants (including Independence Standards)</i> .
2	Member in Public Practice means a Member, irrespective of functional classification (e.g. for example , audit, tax or consulting) in a Firm that provides Professional Services. This term is also used to refer to a Firm of Members in Public Practice and means a practice entity and a participant in that practice entity as defined by the applicable Professional Body.
2	Network means a larger structure: (a) That is aimed at co-operation <u>cooperation</u> ; and (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.
2	Professional Activity means an activity requiring accountancy or related skills undertaken by a Member, including accounting, auditing, taxation , management consulting, and financial management.
2	Risk Management means co-ordinated <u>co-ordinated</u> activities undertaken by a Firm, to direct and control the activities of the Firm with regard to Risk.
2	Risk Management Framework means the foundations ¹ and organisational arrangements ² for designing, implementing, Monitoring, reviewing and continually improving Risk Management throughout the Firm. <u>Footnotes:</u> 1 The foundations include the policy <u>policies</u> , objectives, mandate and commitment to manage Risk. 2 The organisational arrangements include plans, relationships, accountabilities, resources, processes and activities.

Paragraph Reference	Revisions
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> <ul style="list-style-type: none"> (a) Facilitating business continuity; (b) Enabling quality and ethical Professional Services to be rendered <u>provided</u> to Clients; and (c) Protecting the reputation and credibility of the Firm.
3.2	<p>The Risk Management Framework should consist of policies designed to achieve the objectives set out in paragraph 3.1 and procedures necessary to implement and monitor compliance with those policies. The Risk Management Framework should be an integral part of the Firm's overall strategic and operational policies and practices <u>procedures</u> and should take account of the Firm's Risk appetite.</p>
4.2	<p>The Firm's Risk Management Framework shall include policies and procedures that identify, assess and manage key organisational Risks, which may include:</p> <ul style="list-style-type: none"> (a) Governance Risks; (b) Business continuity Risks (including succession planning); (c) Business Risks; (d) Financial Risks; (e) Regulatory Risks; (f) Technology Risks (including cyber security); (g) Human resources Risks; and (h) Stakeholder Risks. <p><u>Additional Risks specific to the Firm can be identified through the use of other relevant standards or guidance. Firms shall comply with Section 360 Responding to Non-Compliance with Laws and Regulations of the Code.</u></p>
4.7	<p>Firms may refer to the following documents for guidance:</p> <ul style="list-style-type: none"> • AS/NZS ISO 31000:2009 <u>2018 Risk Management – Principles and Guidelines</u> which provides useful guidance to develop a framework for Risk Management; and • For sole practitioners and small Firms, Module 7: Risk Management and Module 8: Succession Planning in the <i>Guide to Practice Management for Small- and Medium-Sized Practices</i> issued by the Small and Medium Practices Committee of the International Federation of Accountants.
5.1	<p>A Firm shall establish a Monitoring process designed to provide reasonable confidence that the Risk Management policies and procedures relating to the Risk Management Framework are relevant, adequate and operating effectively₁ and that instances of non-compliance with the Firm's Risk Management policies and procedures are detected.</p>
5.3	<p>A Firm's Monitoring process should include the requirements for the Firm:</p> <ul style="list-style-type: none"> (a) To undertake a review of the Firm's Risk Management Framework on a regular basis; and (b) To designate from within the Firm's leadership a person or persons

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	with sufficient and appropriate experience and authority, the responsibility for ensuring that such regular reviews of the Firm's Risk Management Framework occurs.
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 Professional Services provided.
6.5	<p>The documentation of a Firm's Risk Management Framework should include:</p> <ul style="list-style-type: none"> • Procedures for identifying potential Risks; • The Firm's Risk appetite; • Risks identified; • Procedures for assessing and managing Risks; • Treatment of identified Risks; • Documentation processes; • Procedures for dealing with non-compliance; • Trainning of Staff in relation to Risk Management; and • Procedures for regularly reviewing the Risk Management Framework.
Appendix 1	Summary of revisions to the previous APES 325 (Issued in December 2017) – Amended