

1 December 2017

### **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 October 2015).

The key change in the Revised APES 325 relates to specifically mandating the requirement for Firms to document their succession plans as part of the Firms' Risk Management Framework. A guidance paragraph was also added to state that the succession plan needs to include specific actions that enable the respective Firm to continue its operations.

Please refer to Appendix 1 of this technical update for details of all the revisions. The Revised APES 325 will be effective from 1 April 2018 with early adoption permitted.

The revised standard is available from APESB's website: [www.apesb.org.au](http://www.apesb.org.au)

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## Appendix 1

### Revision to APES 325 (Issued October 2015)

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.

Paragraph Reference	Revisions
1.2	<p>Accounting Professional &amp; Ethical Standards Board Limited (APESB) has revised professional standard APES 325 <i>Risk Management for Firms</i> (<b>the Standard</b>). A Risk Management Framework in compliance with this Standard <del>is was</del> required to be established by Firms by 1 January 2013. This Standard supersedes APES 325 issued in December 2011 <u>and revised in October 2015</u>, and Firms are required to incorporate appropriate amendments to their Risk Management Frameworks by <del>1 January 2016</del> <u>1 April 2018</u>. Earlier adoption of this Standard is permitted.</p>
2	<p><b>Engagement</b> means an agreement, whether written or otherwise, between a Member in Public Practice and a Client relating to the provision of Professional Services by a Member in Public Practice. However, consultations with a prospective Client prior to such <del>an</del> agreement are not part of an Engagement.</p> <p><b>Firm</b> means:</p> <ul style="list-style-type: none"> <li>(a) A sole practitioner, partnership, corporation or other entity of professional accountants;</li> <li>(b) An entity that controls such parties, through ownership, management or other means;</li> <li>(c) An entity controlled by such parties, through ownership, management or other means; or</li> <li>(d) An Auditor-General's office or department.</li> </ul> <p><b>Professional Standards</b> means all standards issued by <del>the</del> Accounting Professional &amp; Ethical Standards Board <u>Limited</u> and all professional and ethical requirements of the applicable Professional Body.</p>
3.3	<p>A Firm's quality control policies and procedures, developed in accordance with APES 320 <i>Quality Control for Firms</i>, should be embedded within the Risk Management Framework. This will facilitate a Firm complying with this <del>S</del>standard and APES 320 and ensure consistency within the Firm's policies and procedures.</p>
4.2	<p><b>The Firm's Risk Management Framework shall include policies and procedures that identify, assess and manage key organisational Risks, which may include:</b></p> <ul style="list-style-type: none"> <li>(a) <b>Governance Risks;</b></li> <li>(b) <b>Business continuity Risks (including succession planning);</b></li> <li>(c) <b>Business Risks;</b></li> <li>(d) <b>Financial Risks;</b></li> </ul>

Paragraph Reference	Revisions
	<p>(e) Regulatory Risks;</p> <p>(f) Technology Risks (<u>including cyber security</u>);</p> <p>(g) Human resources Risks; and</p> <p>(h) Stakeholder Risks.</p> <p><b>Additional Risks specific to the Firm can be identified through the use of other relevant standards or guidance.</b></p>
4.7	<p>Firms may refer to the following documents for guidance:</p> <ul style="list-style-type: none"> <li>• <i>AS/NZS ISO 31000:2009 Risk Management – Principles and guidelines</i> which provides useful guidance to develop a framework for Risk Management; and</li> <li>• For sole practitioners and small Firms, Module 7: Risk Management of and Module 8: <u>Succession Planning</u> 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.</li> </ul>
<b><u>6.6</u></b>	<b><u>A Firm shall document its succession plan as part of its Risk Management Framework.</u></b>
<u>6.7</u>	<u>The succession plan should include specific actions that a Firm will undertake in order to enable the Firm to continue performing its professional obligations to its Clients.</u>
<b><u>6.68</u></b>	<b>A Firm shall retain all relevant documentation for a sufficient time to permit those performing the Firm’s Monitoring process to evaluate its compliance with its Risk Management Framework and to comply with applicable legal or regulatory requirements for record retention.</b>
<b><u>6.79</u></b>	<b>A Firm shall document all instances of non-compliance with the Firm’s Risk Management policies and procedures detected through its Monitoring process and the actions taken by the Firm’s leadership in respect of those instances of non-compliance.</b>