



## **Annual Review of APES 325 *Risk Management for Firms***

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## Background to Standard

Accounting Professional & Ethical Standards Board (APESB) issued APES 325 *Risk Management for Firms* (APES 325) in December 2011 with an effective date of 1 January 2013.

## Reason for this report

In accordance with APESB's constitution, a review should be performed on an annual basis after a new standard is effective in order to identify any issues reported by stakeholders. This report presents a review of the issues either reported to APESB or identified by an internal technical review and the proposed recommendations to address those identified issues.

## Review of Issues

### 1. Defined terms

#### Issue

The Technical Staff review identified that the Definitions section of APES 325 needs to be revised.

#### Analysis of Issue

The Definitions section in APES 325 requires revision due to amendments made to the IESBA's Code and subsequent changes made by APESB to APES 110 *Code of Ethics for Professional Accountants*.

#### Definitions to be revised

**Member in Public Practice** means a Member, irrespective of functional classification (e.g. 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.

**Professional Services** means ~~services requiring accountancy or related skills performed by a professional accountant including accounting, auditing, taxation, management consulting and financial management services.~~ Professional Activities performed for Clients.

#### Definitions to be added

**Client** 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.

**Member** means a member of a Professional Body that has adopted this Standard as applicable to their membership as defined by that Professional Body.

**Professional Activity** means an activity requiring accountancy or related skills undertaken by a Member, including accounting, auditing, taxation, management consulting and financial management.

**Professional Bodies** means the Institute of Chartered Accountants Australia, CPA Australia and the Institute of Public Accountants.

Subsequent to the revision of the Definitions section, consequential editorial amendments may also be required to APES 325.

### **Impacted Stakeholders**

Members, Firms and Professional Bodies.

### **Recommendation**

The defined terms in APES 325 should be revised in a manner consistent with the Code and other APESB standards. It is recommended that these changes and any other consequential amendments be processed at the next revision of APES 325.