



Module 4

Professional Practice Program APES 300 Members in Public Practice



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Program completion

The IPA Professional Practice Program has been designed for IPA members in professional practice and for non-practitioners as a refresher Program.

With recognition comes responsibility. The IPA is recognised in legislation as one of the three professional accounting bodies within Australia. This means compliance with the ASIC Act and with regulations and standards set by ATO, TPB, ASIC, APESB, FRC, AASB, AUASB and IFAC.

The regulators, standard setters, government and the public all rely on the professional expertise, competence and ethics of IPA members. Therefore, the IPA has mandated that members moving into professional practice must demonstrate competence in these key areas.

It is compulsory to complete the IPA Professional Practice Program within 6 months of receiving an IPA PPC unless you have completed a Professional Practice Program with Chartered Accountants Australia + New Zealand or CPA Australia within the last 5 years.

The Program consists of self-paced study and a 2 day face-to-face workshop. You should complete the self-paced study before attending the workshop. This will take up to 80 hours, depending on your experience. To successfully complete the Program, you must:

- Attend all sessions of the Program,
- Successfully complete the assessment held at the end of the Program.

The assessment comprises of 30 multiple-choice questions and you are permitted 1 hour to complete the assessment. You may refer to your course materials, but you are not to consult any other person in or outside of the room. There is 1 mark per question and you need to obtain at least 50% to successfully complete the assessment.

If you do not successfully complete the assessment, you will be offered an opportunity to re-sit the assessment. If you are still unsuccessful, you will be required to repeat the 2 day face-to-face workshop and successfully pass the assessment. The IPA reserves the right to cancel a member's PPC in the event a member does not pass the assessment.

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4.1: Introduction – APES 300 Series of Standards

Professional Standards applicable to IPA Members in Public Practice

As at November 2017, the APESB have issued the following professional and ethical standards:

- APES 305 Terms of Engagement
- APES 310 Dealing with Client Monies
- APES 315 Compilation of Financial Information
- APES 320 Quality Control for Firms
- APES 325 Risk Management for Firms
- APES 330 Insolvency Services
- APES 345 Reporting on Prospective Financial Information Prepared in Connection with a Public Document
- APES 350 Participation by Members in Public Practice in Due Diligence Committees in connection with a Public Document

4.2: APES 305 – Terms of Engagement

Scope and application

The objectives of APES 305 *Terms of Engagement* are to specify a Member in Public Practice's professional and ethical obligations in respect of:

- documentation and communication of the Terms of Engagement to a Client;
- matters to be included in an Engagement Document;
- circumstances in which an Engagement Document should be reissued in respect of a recurring Engagement; and
- limitation of liability schemes.

APES 305 sets the standards in respect of Terms of Engagement for Members in Public Practice in the provision of quality and ethical Professional Services to Clients. In some instances there are specific standards applicable to Members in Public Practice issued by other standard setting bodies or specific requirements of statutes in respect of Terms of Engagement, for example ASA 210 *Agreeing the Terms of Audit Engagements* issued by the Auditing and Assurance Standards Board which governs audit Engagements. Compliance with these other standards or statutes should result in compliance with APES 305.

Members in Public Practice in Australia shall follow the mandatory requirements of APES 305 when they provide Professional Services to Clients.

Members in Public Practice outside of Australia shall follow the provisions of APES 305 to the extent to which they are not prevented from so doing by specific requirements of local laws and/or regulations.

Members in Public Practice shall be familiar with relevant Professional Standards and guidance notes when providing Professional Services. All Members shall comply with the fundamental principles outlined in the Code.

Definitions

APES 305 provides definitions of the following expressions:

• Client	• Code
• Engagement	• Engagement Document
• Firm	• Member
• Member in Public Practice	• Professional Activity
• Professional Bodies	• Professional Services
• Professional Standards	• Terms of Engagement

Terms of Engagement for Professional Services

An IPA Member in Public Practice shall document and communicate to the Client the Terms of Engagement.

An IPA Member in Public Practice shall document the Terms of Engagement in the Engagement Document.

General contents of an Engagement Document

The following is a guide to matters that should, for most Engagements, be considered for inclusion in an Engagement Document. Engagement Documents will vary according to the nature of the Engagement and the terms of appointment of the Member in Public Practice. The following matters should therefore be varied to meet the individual requirements and circumstances of each Engagement:

Purpose: The Engagement Document should explain that its purpose is to set out and confirm the understanding of the Member in Public Practice of the Terms of Engagement.

Objectives of the Engagement: A brief summary of the objectives of the Engagement including reference to the fact that:

- a. procedures to be performed will be limited exclusively to those related to the Engagement;
- b. neither an audit nor a review will be conducted and, accordingly, no assurance will be expressed (if applicable); and
- c. unless otherwise agreed, the Engagement cannot be relied upon to disclose irregularities, including fraud, other illegal acts and errors that may occur.

Scope of the Engagement: Pertinent details of such matters as:

- a. time periods covered by the Engagement;
- b. period of appointment and time schedules;
- c. references to any legislation, Professional Standards, accounting or auditing and assurance standards that may be relevant to the Engagement;
- d. any limitations on the conduct of the Engagement including scope limitations and limitations arising from legal or professional and ethical requirements;
- e. Client operations or procedures to be included in the Engagement; and
- f. details of information to be provided by the Client.

The Member in Public Practice should consider the implications of a recurring Engagement when documenting the details noted above.

- a. *Engagement output:* Details of reports or other anticipated outputs, including:
- b. expected timing;
- c. the intended use and distribution of reports;
- d. the nature of any anticipated disclaimer or arrangement that limits the liability of the Member in Public Practice (appropriate limitation of liability clauses for Members in Public Practice participating in Professional Standards Legislation schemes) with respect to the Client or any other user of the results of the Engagement.

Relative responsibilities: Responsibilities agreed upon, detailing those acknowledged to be the responsibility of:

- a. the Member in Public Practice, including reference to relevant confidentiality requirements and the impact of them on the quality review program of the relevant Professional Body to which the Member in Public Practice belongs;
- b. the Client, noting the fact that the Client is responsible for the completeness and accuracy of information supplied to the Member in Public Practice; and
- c. any third party.

Involvement of other Members in Public Practice: Where the work of another Member in Public Practice is to be used on some aspects of the Engagement, the details of this involvement should be documented in the Engagement Document.

Fees and billing arrangements: Reference to the basis of fees (e.g. time based billing, fixed price contracts, contingent fee arrangements or other similar agreement). Details of agreed upon billing schedules should also be included.

Ownership of documents: The Engagement Document should make clear who owns any documents produced as a result of the Engagement or provided by the Client for such a purpose including electronic data. If a Member in Public Practice has a policy of seeking to exercise a right of lien over such documents in the event of a dispute with the Client, this policy should be disclosed in the Engagement Document communicated to the Client including the process for dealing with disputes over the lien.

Confirmation by the Client: Request for a response from the Client confirming its understanding of the Terms of Engagement as outlined in the Engagement Document. It is preferable for this confirmation of Client acceptance of the Terms of Engagement to be obtained in a written form.

Recurring Engagements

In certain circumstances a Member in Public Practice will have to determine whether an Engagement is a recurring Engagement. A recurring Engagement generally exhibits the following features:

- unchanged Terms of Engagement under which the Professional Services are provided;
- the same or similar Professional Service provided by the Member in each period;
- defined or identifiable commencement and completion dates each time the Engagement is performed; and
- performance of the Engagement is on a regular periodic basis as agreed with the Client, for example annually.

When determining the need to reissue or amend an Engagement Document for a recurring Engagement, a Member in Public Practice should consider the following factors:

- a. any indication that the Client misunderstands the objectives and scope of the Engagement;
- b. any significant changes in the Engagement;
- c. any significant changes in the Professional Services to be provided or the Terms of Engagement;
- d. a recent change of Client management or ownership;
- e. a significant change in the nature or size of the Client's business;
- f. any significant changes to Professional Standards or applicable accounting or auditing and assurance standards; and
- g. any changes to legal or regulatory requirements.

Limitation of liability

An IPA Member in Public Practice who is participating in a limitation of liability scheme shall be familiar with the relevant Professional Standards Legislation. An IPA Member in Public Practice, who incorporates a limitation of liability provision in the Engagement Document, shall comply with the legislation and the relevant obligations (e.g. insurance, business assets, risk management, quality control etc.) imposed.

An Member in Public Practice who is a participant in a scheme under Professional Standards Legislation shall advise the Client that the Member's liability may be limited under the scheme.

Engagement letter templates

The IPA has Engagement letter templates available to members on www.publicaccountants.org.au.

4.3: APES 310 – Dealing with Client Monies

Scope and application

APES 310 sets the standards for Members in Public Practice who Deal with Client Monies or who act as an Auditor of Client Monies. APES 310 should be read in conjunction with other professional duties of Members and any legal obligations that may apply.

Members in Public Practice in Australia shall follow the mandatory requirements of APES 310 when they Deal with Client Monies or when they act as an Auditor of Client Monies.

Members in Public Practice practising outside of Australia shall follow the mandatory requirements of APES 310 to the extent to which they are not prevented from so doing by specific requirements of local laws and/or regulations.

This Standard does not apply where a Member in Public Practice is acting as a trustee or under a power of attorney, as in these circumstances the Member is not acting in a Client relationship. When acting in the capacity of an attorney or a trustee, the Member is required to comply with the obligations specified in the relevant trust deed or the power of attorney.

Members in Public Practice shall be familiar with relevant Professional Standards and guidance notes when providing Professional Services. All Members shall comply with the fundamental principles outlined in the Code.

Definitions

APES 310 provides definitions of the following expressions:

• Applicable Year-End Date	• Auditing and Assurance Standards
• AuASB/AUASB	• Auditor of Client Monies
• Business Day	• Client
• Client Bank Account	• Client Monies
• Code	• Deals (or Dealing) with Client Monies
• Deficiency	• Financial Institution
• Firm	• Member
• Member in Public Practice	• Monies
• Personnel	• Professional Bodies
• Professional Standards	• Professional Services
• Records	• Terms of Engagement
• Trust Account	•

Fundamental responsibilities of Members in Public Practice

An IPA Member in Public Practice who Deals with Client Monies or acts as an Auditor of Client Monies shall comply with Section 100 *Introduction and Fundamental Principles* of the Code and relevant law.

An IPA Member in Public Practice who Deals with Client Monies or acts as an Auditor of Client Monies shall comply with Section 220 *Conflicts of Interest* and Section 280 *Objectivity – All Services* of the Code.

Public interest

In accordance with Section 100 *Introduction and Fundamental Principles* of the Code, an IPA Member in Public Practice shall observe and comply with the Member's public interest obligations when the Member Deals with Client Monies or acts as an Auditor of Client Monies.

Professional competence and due care

An IPA Member in Public Practice who Deals with Client Monies or acts as an Auditor of Client Monies shall maintain professional competence and exercise due care in the performance of the Member's work in accordance with Section 130 *Professional Competence and Due Care* of the Code.

Confidentiality

In accordance with Section 140 *Confidentiality* of the Code, an IPA Member in Public Practice who acquires confidential information in the course of the Member's work for a Client shall not use that information for any purpose other than the proper performance of the professional work for that Client.

4.3.1: Part A – Professional obligations of a Member in Public Practice who deals with Client Monies

General principles

An IPA Member in Public Practice who Deals with Client Monies shall comply with Section 270 *Custody of Client Assets* of the Code.

An IPA Member in Public Practice shall only Deal with Client Monies through a Client Bank Account or a Trust Account and only in accordance with the Client's instructions with the following 3 noted exceptions:

Exception 1

An IPA Member in Public Practice shall not:

- a. receive or pay into a Trust Account or a Client Bank Account; or
- b. disburse out of a Trust Account or a Client Bank Account any Monies if the Member believes on reasonable grounds that they were obtained from, or are to be used for, illegal activities or that Dealing with the Monies is otherwise unlawful.

Exception 2

When Dealing with Client Monies, an IPA Member in Public Practice shall not be involved in any money laundering transactions or in the utilisation of the proceeds of crime or terrorist financing.

Exception 3

An IPA Member in Public Practice who receives Client Monies that are not capable of being deposited into a Financial Institution shall safeguard the Monies against unauthorised use, record details in an appropriate register, and issue an acknowledgement to the Client within 21 Business Days containing the following details:

- a. the name of the person from whom Monies were received;
- b. the amount of Monies;
- c. the Client for whose benefit Monies are held;
- d. the purpose for which Monies were received or other description of the Monies;
- e. the date on which Monies were received;
- f. the form in which Monies were received; and
- g. in relation to Client Monies of a kind referred to in paragraph 6.7, the location where the Monies are held.

An IPA Member in Public Practice shall be accountable for all Client Monies and keep Client Monies separate from all other Monies of the Member.

An IPA Member in Public Practice shall implement appropriate internal controls and procedures in respect of the operation of a Trust Account and a Client Bank Account. The Member shall take all reasonable steps to ensure that those internal controls achieve the following objectives:

- a. Client Monies are dealt with in accordance with the Client's instructions and this Standard;
- b. A Trust Account is properly safeguarded and accounted for; and
- c. A Client Bank Account is properly safeguarded against unauthorised access or use.

Except for the charging of professional fees, an IPA Member in Public Practice shall not obtain any benefit from Dealing with Client Monies, including benefits deriving from the deposit and/or investment of Client Monies, without prior written authority from the Client.

An IPA Member in Public Practice shall only charge professional fees in respect of Dealing with Client Monies in accordance with Section 240 *Fees and Other Types of Remuneration* of the Code.

A Member in Public Practice shall bear any Financial Institution, statutory or other government charges in respect of a Trust Account.

An IPA Member in Public Practice shall only deposit the Member's own funds to a Trust Account:

- a. to meet any charges made to the Trust Account where the Financial Institution has made such charges to the Trust Account in error, instead of to the Member's general bank account; or

- b. to meet a Financial Institution's prescribed minimum requirements for an ongoing account balance.

Opening a Trust Account

An IPA Member in Public Practice who Deals in Client Monies shall open a Trust Account at a Financial Institution in the name of the Member or the Member's Firm and include the term "Trust Account" in its title, unless the Member has been authorised to operate a Client Bank Account.

Some members have experienced difficulty with financial institutions when requesting to set up a practice trust account. It is important to explain to the financial institution that the account is to hold client monies in trust until the client authorises the use of the funds. It is not a bank account for a trust entity.

An IPA Member in Public Practice shall document the process followed to establish the identity of a Client and the source of Client Monies prior to Dealing with Client Monies.

An IPA Member in Public Practice shall not open a Trust Account with a Financial Institution unless its terms and conditions relating to Trust Accounts require that:

- a. all Monies standing to the credit of that account are held by the Member as Client Monies and that the Financial Institution is not entitled to combine the account with any other account, or to exercise any right to set-off or counterclaim against Monies in that account in respect of any sum owed to the Financial Institution on any other account; and
- b. any interest payable in respect of the account balance is credited to that account.

An IPA Member in Public Practice shall retain a copy of the terms and conditions of the Financial Institution relating to a Trust Account as part of the Member's Records and, where requested, provide a copy to the Client within 10 Business Days of that request.

An IPA Member in Public Practice shall inform the Client in writing:

- a. no later than at the time of initial deposit into a Trust Account, the details of the Financial Institution at which the Client Monies are to be held; and
- b. if there is a change to the existing Financial Institution arrangements, within 10 Business Days where the Client Monies are held.

Dealing with Client Monies

Holding and receiving Client Monies

An IPA Member in Public Practice shall deposit Client Monies into a Financial Institution within 3 Business Days of receipt with the following exception:

Exception

An IPA Member in Public Practice who receives Client Monies that are not capable of being deposited into a Financial Institution shall safeguard the Monies against unauthorised use, record details in an appropriate register, and issue an acknowledgement to the Client within 21 Business Days containing the following details:

- a. the name of the person from whom Monies were received;
- b. the amount of Monies;
- c. the Client for whose benefit Monies are held;
- d. the purpose for which Monies were received or other description of the Monies;
- e. the date on which Monies were received;
- f. the form in which Monies were received; and
- g. in relation to Client Monies of a kind referred to in paragraph 6.7, the location where the Monies are held.

An IPA Member in Public Practice shall only hold Client Monies in a Trust Account for the period necessary to enable the purpose for which the Client Monies were received to be discharged.

An IPA Member in Public Practice receiving Client Monies where the payee is no longer a Client, or the intended recipient is unknown to the Member, shall return the Monies within 10 Business Days to the drawer or sender as appropriate.

Where an IPA Member in Public Practice is unable to disburse Client Monies to the Client, payee, drawer or sender, the Member shall comply with relevant legislation in respect of unclaimed Monies.

An IPA Member in Public Practice shall record the following information for Client Monies received, or Monies received for deposit into a Client Bank Account:

- a. the name of the person from whom Monies were received;
- b. the amount of Monies;
- c. the Client for whose benefit Monies are held;
- d. the purpose for which Monies were received or other description of the Monies;
- e. the date on which Monies were received;
- f. the form in which Monies were received; and
- g. in relation to Client Monies of a kind referred to in paragraph 6.7, the location where the Monies are held.

An IPA Member in Public Practice shall issue an acknowledgement to the Client within 21 Business Days or as otherwise agreed with the Client containing the details specified in paragraph 6.5 and stating that the Member has deposited the Client Monies into a Trust Account or a Client Bank Account.

Disbursement of Client Monies

Where any interest is earned on a Trust Account, an IPA Member in Public Practice shall allocate interest to the credit of the relevant Client.

An IPA Member in Public Practice shall disburse Client Monies within 3 Business Days of receipt of instructions in respect of the disbursement or in accordance with the Terms of Engagement.

Only an IPA Member in Public Practice shall operate the Member's Trust Account with the following exception:

Exception

In circumstances where an IPA Member in Public Practice is not available to authorise Trust Account transactions in a timely manner, the Member shall delegate in writing the Member's authority to effect transactions to:

- a. another Member in Public Practice;
- b. a solicitor holding a current practising certificate;
- c. a suitably competent person employed by the Member; or
- d. a manager of a branch of a Financial Institution.

An IPA Member in Public Practice shall ensure that the Member has appropriate Records to support transacting electronic funds transfers from a Trust Account or a Client Bank Account.

An IPA Member in Public Practice who wishes to disburse Monies from a Trust Account or a Client Bank Account relating to professional fees and/or expenses due from a Client, shall obtain the Client's written approval prior to such disbursement.

An IPA Member in Public Practice shall not make a disbursement to or on behalf of a Client from a Trust Account that exceeds the amount of funds standing to the credit of that Client.

Documentation

An IPA Member in Public Practice shall maintain Records to appropriately document transactions in respect of Client Monies.

An IPA Member in Public Practice shall retain Records that:

- a. enable transactions involving Client Monies to be audited;
- b. disclose the financial position of Client Monies; and
- c. clearly identify the transactions made on behalf of each Client.

Subject to legislative requirements, an IPA Member in Public Practice shall retain and ensure that all documentation in respect of Client Monies is accessible for at least 7 years.

Subject to legislative requirements, an IPA Member in Public Practice shall take reasonable steps to ensure that the Client authorises the Member's Professional Body to have access to the Member's Records in respect of Client Monies for the purposes of an inspection, quality review or disciplinary proceedings of the applicable Professional Body.

An IPA Member in Public Practice shall keep Records in such a manner as to disclose clearly:

- a. the details of all transactions involving Client Monies, including:
 - i. details of all Client Monies paid direct to the Client, or to a third party nominated by the Client;
 - ii. details of all cheques received and endorsed by the Member for disbursement to the Client, or to a third party nominated by the Client;
 - iii. details of all electronic funds transfers of Monies received, and of Monies transferred direct to the Client, or to a third party nominated by the Client; and
 - iv. details of any errors in transactions involving Client Monies;
- b. the details and basis of calculation of all interest earned on Client Monies held in a Trust Account and that the interest has been applied by the Member;
- c. the financial position of a Member's Trust Account and Client's Bank Account and the Client Monies therein; and
- d. the signatories for each Client Bank Account authorised by the Client.

An IPA Member in Public Practice shall reconcile the Trust Account Records to the Trust Account at least every 25 Business Days. The Member shall correct any differences or errors within 5 Business Days.

An IPA Member in Public Practice shall provide a statement containing details of the Member's application of Client Monies and any interest earned on Client Monies, either to the Client or to such other person as directed by the Client:

- a. upon completion of the matter requiring the maintenance of the Trust Account or Client Bank Account (statement to be provided within 25 Business Days);
- b. in respect of any transaction, upon written request from the Client (statement to be provided within 5 Business Days);
- c. when a Trust Account or Client Bank Account is closed or if the Member's authority to operate a Client Bank Account is revoked (statement to be provided within 25 Business Days); or
- d. in respect of all transactions, at least annually unless the Member has communicated in writing details of the transactions during the year (statement to be provided 30 Business Days of the Applicable Year-End Date).

Where the responsibility to prepare a reconciliation of the Client Bank Account does not rest with the IPA Member in Public Practice, the Member shall provide the Client with a record of transactions undertaken on the Client Bank Account by the Member within 25 Business Days of the end of each month or as otherwise agreed with the Client.

An IPA Member in Public Practice who operates a Client Bank Account and has the responsibility to reconcile the Client Bank Account shall ensure that the Member's Records for the Client Bank Account are reconciled to the Financial Institution statements at least every 25 Business Days or as otherwise agreed with the Client. The Member shall take action to correct any difference or error identified during the reconciliation within 5 Business Days of such identification.

Audit of a Member in Public Practice's compliance with APES 310

An IPA Member in Public Practice who Deals with Client Monies shall appoint another Member in Public Practice as Auditor of Client Monies and shall ensure that the Member's compliance with the requirements of this Standard is audited annually within 3 months of the Applicable Year-End Date.

Where the scope of the subject matter of the audit performed in accordance with legislation does not extend to all of the subject matter of an audit required by this Standard, an IPA Member in Public Practice shall ensure that the Member in Public Practice appointed performs an audit of the subject matter that is not covered by the legislative audit.

An IPA Member in Public Practice whose compliance with this Standard is audited shall bear the cost of the audit.

An IPA Member in Public Practice shall:

- a. allow the IPA or the Auditor of Client Monies access to the Member's Records;
- b. assist the IPA or the Auditor of Client Monies in the performance of their duties; and
- c. obtain the Client's authorisation prior to releasing the Client's information to the Auditor of Client Monies or to the IPA.

An IPA Member in Public Practice shall notify the IPA and the Auditor of Client Monies within 5 Business Days of becoming aware of any Deficiency of Client Monies occurring in the Trust Account or the Client Bank Account along with details of corrective action taken by the Member.

An IPA Member in Public Practice who proposes to change the existing Auditor of Client Monies, shall first obtain the approval of the IPA.

An IPA Member in Public Practice shall appoint a replacement Auditor of Client Monies within 10 Business Days of the resignation or removal of the existing Auditor of Client Monies.

Where an IPA Member in Public Practice ceases public practice and:

- a. another Member in Public Practice is willing to accept the transfer of obligations to transact Client Monies in accordance with this Standard, the Member ceasing public practice shall obtain the written consent of the Client prior to the transfer; or
- b. no other Member in Public Practice is willing to accept the transfer of obligations to transact Client Monies or written consent has not been obtained, the Member or their legal representative shall return Client Monies to the Client.

Where an IPA Member in Public Practice ceases public practice, the Member shall engage an Auditor of Client Monies to audit the Member's compliance with this Standard for the period where the Member was responsible for Client Monies which has not otherwise been subject to audit.

An IPA Member in Public Practice shall ensure that the Member's compliance with this Standard is audited within 3 months of ceasing to Deal with Client Monies.

4.3.2: Part B – Professional obligations of an auditor of a Member in Public Practice's compliance with APES 310

Professional obligations of an Auditor of Client Monies

Subject to any legal requirements, an IPA Member in Public Practice who acts as an Auditor of Client Monies shall perform the audit in accordance with Auditing and Assurance Standards.

An Auditor of Client Monies shall prepare the auditor's report in accordance with Auditing and Assurance Standards. If the report contains a modified opinion, the Auditor of Client Monies shall lodge the report with the applicable Professional Body within 15 Business Days of completion of the audit.

An Auditor of Client Monies shall comply with Section 291 *Independence – Other Assurance Engagements* of the Code.

An Auditor of Client Monies shall not undertake an audit of another Member in Public Practice's compliance with this Standard in circumstances where a reasonable and informed third party having knowledge of all relevant information, including safeguards applied would determine that the independence of the Auditor of Client Monies is impaired as a result of a past, existing or proposed relationship.

An Auditor of Client Monies shall report any Deficiency of Client Monies to the Member's Professional Body within 5 Business Days upon becoming aware of the Deficiency.

An Auditor of Client Monies shall report to the Member's Professional Body within 10 Business Days of becoming aware of any material:

- a. failure by a Member to comply with paragraphs 6.1 or 6.10 of this Standard;
- b. uncorrected error reflected in a statement issued by a Financial Institution; or

- c. circumstances where Client Monies have not been transacted or maintained in accordance with this Standard.

Subject to legislative requirements, an Auditor of Client Monies shall retain relevant working papers for a period of at least 7 years.

An IPA Member in Public Practice who wishes to resign from the position of Auditor of Client Monies shall first obtain the written approval of the IPA.

Appendix 1 of APES 310 contains an example of an audit report.

4.4: APES 315 – Compilation of Financial Information

Scope and application

The objectives of APES 315 *Compilation of Financial Information* are:

- to specify that, when performing an Engagement to Compile Financial Information, a Member in Public Practice is required to apply the Member's expertise in accounting and/or financial reporting and, in contrast to an Engagement to perform an audit or review, the Member is not required to verify the accuracy or completeness of the information provided by a Client;
- to mandate that a Member in Public Practice plans a Compilation Engagement but recognises that planning procedures depend upon the context of the Compilation Engagement and the specific circumstances of the Client;
- to provide guidance to Members in Public Practice when undertaking a Compilation Engagement in respect of General Purpose Financial Statements or Special Purpose Financial Statements;
- to specify matters to be considered for inclusion in an Engagement Document;
- to specify the professional obligations of a Member in Public Practice in respect of procedures;
- to specify the documentation and quality control obligations of a Member in Public Practice who performs a Compilation Engagement;
- to specify the obligations of a Member in Public Practice to obtain an acknowledgement from the Client in respect of the Client's responsibilities for the financial information or Financial Statements;
- to specify the reporting requirements of a Member in Public Practice who undertakes Engagements to Compile Financial Information; and
- to mandate that a Member communicates to Those Charged with Governance any significant matters arising from the Compilation Engagement and the impact of subsequent discovery of facts on the Compilation Engagement.

APES 315 sets the standards for the provision of quality and ethical Professional Services for Members in Public Practice who undertake Engagements to Compile Financial Information. APES 315 should be read in conjunction with other professional duties of Members, and any legal obligations that may apply.

Members in Public Practice in Australia shall follow the mandatory requirements of APES 315 when they undertake Engagements to Compile Financial Information.

Members in Public Practice practising outside of Australia shall follow the provisions of APES 315 to the extent to which they are not prevented from so doing by specific requirements of local laws and/or regulations.

Members shall be familiar with relevant Professional Standards and guidance notes when providing Professional Services. All Members shall comply with the fundamental principles outlined in the Code.

Definitions

APES 315 provides definitions of the following expressions:

• AASB	• Applicable Financial Reporting Framework
• Assurance Engagement	• AUASB
• Auditing and Assurance Standards	• Australian Accounting Standards
• Client	• Code
• Compilation Engagement*	• Compilation Report
• Compile(d) Financial Information	• Compliance Framework
• Engagement	• Engagement Document
• Financial Statements	• Firm
• General Purpose Financial Statements	• General Purpose Framework
• Independence	• Member
• Member in Business	• Member in Public Practice
• Misstatement	• Professional Activity
• Professional Bodies	• Professional Services
• Professional Standards	• Special Purpose Financial Statements
• Special Purpose Framework	• Terms of Engagement
• Those Charged with Governance	• Writing (or Written)

* A decision tree schematic to assist Members determine whether an Engagement is a Compilation Engagement is included in Appendix 1 of APES 315.

Fundamental responsibilities of Members in Public Practice

Members in Public Practice undertaking Engagements to Compile Financial Information shall comply with Section 100 *Introduction and Fundamental Principles* of the Code and relevant laws and regulations.

Public interest

In accordance with Section 100 *Introduction and Fundamental Principles* of the Code, Members in Public Practice shall observe and comply with their public interest obligations when they undertake Engagements to Compile Financial Information.

Professional competence and due care

Members in Public Practice undertaking Engagements to Compile Financial Information shall maintain professional competence and take due care in the performance of their work in accordance with Section 130 *Professional Competence and Due Care* of the Code.

Professional Independence

Independence is not a requirement for a Compilation Engagement.

Where an IPA Member in Public Practice is not independent, the Member shall make an explanatory statement to that effect in the Compilation Report.

Confidentiality

In accordance with Section 140 *Confidentiality* of the Code, an IPA Member in Public Practice who acquires confidential information in the course of an Engagement to Compile Financial Information for a Client shall not use that information for any purpose other than the proper performance of that Engagement.

Applicable Financial Reporting Framework

If an IPA Member in Public Practice is of the view that the Applicable Financial Reporting Framework selected by a Client is not appropriate and the Client is not willing to adopt an appropriate framework, the Member shall consider the Firm's policies and procedures established in accordance with *Acceptance*

and continuance of Client relationships and specific Engagements of APES 320 Quality Control for Firms in determining whether to continue acting for the Client in a professional capacity.

When undertaking a Compilation Engagement in respect of General Purpose Financial Statements or Special Purpose Financial Statements, an IPA Member in Public Practice shall comply with the requirements of APES 205 *Conformity with Accounting Standards*.

Where an IPA Member in Public Practice assists the Client with significant judgements regarding amounts or disclosures when undertaking a Compilation Engagement in respect of General Purpose or Special Purpose Financial Statements, the Member shall discuss those judgements with the Client and Those Charged with Governance (if applicable) to ensure that they understand the significant judgements reflected in the Financial Statements and accept their responsibility for those judgements.

Defining the Terms of Engagement

An IPA Member in Public Practice shall document and communicate the Terms of Engagement in accordance with APES 305 *Terms of Engagement*.

Procedures

An IPA Member in Public Practice shall assess whether the Compiled Financial Information in respect of the Compilation Engagement is appropriate in form and content and free from Misstatements.

Where an IPA Member in Public Practice forms the view that the information supplied by a Client includes a Misstatement, the Member shall consider performing the following procedures or other alternative procedures:

- making inquiries of management to assess the reliability, accuracy and completeness of the information provided;
- assessing internal controls; or
- verifying any relevant matters or information.

In the absence of forming the view that the information supplied by the Client includes a Misstatement, the Member is not required to consider performing these procedures.

If the Client refuses to provide additional information or process appropriate amendments requested by the IPA Member in Public Practice in the circumstances referred to in paragraph 7.3, the Member shall consider the Firm's policies and procedures established in accordance with *Acceptance and continuance of Client relationships and specific Engagements of APES 320 Quality Control for Firms* in determining whether to continue acting for the Client in a professional capacity.

Documentation and quality control

An IPA Member in Public Practice shall prepare working papers in accordance with this Standard that appropriately document the work performed, including aspects of the Compilation Engagement that have been provided in Writing. The documentation prepared by the Member shall:

- a. provide a sufficient and appropriate record of the procedures performed for the Engagement;
- b. identify the sources of significant information the Member has used in the compilation of financial information; and
- c. demonstrate that the Engagement was carried out in accordance with this Standard and all other Professional Standards applicable to the Engagement, including policies and procedures established in accordance with APES 320 *Quality Control for Firms*, and any applicable ethical, legal and regulatory requirements.

An IPA Member in Public Practice shall perform sufficient reviews of the Compilation Engagement in accordance with the Firm's policies and procedures established in accordance with *Engagement performance of APES 320 Quality Control for Firms* prior to issuing the Compilation Report.

Responsibility of the Client

An IPA Member in Public Practice who undertakes a Compilation Engagement in respect of General Purpose or Special Purpose Financial Statements shall obtain a Written acknowledgment from the Client of the Client's responsibility for the reliability, accuracy and completeness of the accounting records and disclosures to the Member of all material and relevant information.

Reporting on a Compilation Engagement

Where an IPA Member in Public Practice prepares Compiled Financial Information in respect of a Compilation Engagement, the Member shall, except where paragraphs 10.3 or 10.4 apply, issue a Compilation Report in circumstances where:

- a. the Member's or the Firm's name is identified with the Compiled Financial Information;
- b. External parties other than the intended users of the Compiled Financial Information are likely to associate the Member with the Compiled Financial Information, and there is a risk that the level of the Member's involvement with the information may be misunderstood;
- c. it is more likely than not that the intended users of the Compiled Financial Information may not understand the nature and scope of the Member's involvement with that information; or
- d. the Compiled Financial Information is required under provisions of applicable law or regulation, or it is required to be publicly filed.

A decision tree schematic to assist Members determine when a Compilation Report should be issued is included in Appendix 2 of APES 315.

Where the Client has engaged another practitioner to audit or review the Compiled Financial Information in accordance with Auditing and Assurance Standards, an IPA Member in Public Practice undertaking the Compilation Engagement shall assess the need to issue a Compilation Report. Where the Member decides not to issue a Compilation Report the Member shall document the rationale for that decision. Where the scope of the Compilation Engagement extends to significant subject matter not covered under the Assurance Engagement, the Member in Public Practice shall issue a Compilation Report for the subject matter not covered under the Assurance Engagement.

Where an IPA Member in Public Practice issues a Compilation Report in relation to Financial Statements which are prepared in accordance with a regulation or contract, the Member shall describe in the Compilation Report the purpose for which the Financial Statements are prepared or refer to a note in the Financial Statements that contains that information.

Where Financial Statements purport to be prepared in accordance with a contract or a regulation and an IPA Member in Public Practice forms the view that the Financial Statements do not adequately describe significant interpretations of the contract or the regulation on which the Financial Statements are based, the Member shall modify the Compilation Report.

Where an IPA Member in Public Practice issues a Compilation Report, the Compilation Report shall contain the following:

- a. the title of the report;
- b. the addressee;
- c. a statement that the Compilation Engagement was performed in accordance with this Standard, and that the Member has complied with relevant ethical requirements;
- d. an explanatory statement that the Member or the Firm is not independent of the Client (if applicable);
- e. identification of the Compiled Financial Information noting that it is based on the financial information provided by the Client (if applicable);
- f. the basis of any forecast information and key assumptions (applicable to prospective financial information only);
- g. a statement that the Client is responsible for the financial information compiled by the Member;
- h. a statement that neither an audit nor a review has been carried out by the Member and that accordingly no assurance is expressed on the Compiled Financial Information;

- i. if the Member is reporting on the compilation of Special Purpose Financial Statements, a statement to that effect as well as stating:
 - i. the specific purpose for which they have been prepared; and
 - ii. that the Special Purpose Financial Statements are only suitable for the purpose they have been prepared and may not be suitable for any other purpose;
- j. the date of the Compilation Report;
- k. the Member's or Firm's name, address and signature;
- l. an appropriate disclaimer of liability; and
- m. a description of the responsibilities of management or Those Charged with Governance of the Client, as appropriate, in relation to the Compilation Engagement, and in relation to the financial information.

Examples of Compilation Reports including Compilation Reports in respect of General Purpose and Special Purpose Financial Statements are contained in Appendix 4 of APES 315.

Where an IPA Member in Public Practice issues a Compilation Report, the financial information compiled by the Member shall contain a reference such as "Unaudited", "Compiled without Audit or Review", or "Refer to Compilation Report" on each page of the Compiled Financial Information.

Communication of significant matters

An IPA Member in Public Practice shall communicate to Those Charged with Governance of the Client any significant matters arising from the Compilation Engagement on a timely basis.

If during the performance of a Compilation Engagement, an IPA Member in Public Practice obtains information that indicates that a fraud, Misstatement or illegal act has occurred, the Member shall communicate these matters as soon as practicable to Those Charged with Governance of the Client.

Where during the performance of a Compilation Engagement an IPA Member in Public Practice obtains information that a fraud, Misstatement or illegal act has occurred and the Member has reason to believe that such an act is the result of actions of Those Charged with Governance of the Client, the Member shall consider the Firm's policies and procedures established in accordance with *Acceptance and continuance of Client relationships and specific Engagements* of APES 320 *Quality Control for Firms* in determining whether to continue acting for the Client in a professional capacity.

Subsequent discovery of facts

An IPA Member in Public Practice who has performed a Compilation Engagement shall assess the impact on the Compiled Financial Information of facts discovered subsequent to the date of the Compilation Report, discuss the matter with the Client, and take action appropriate in the circumstances. The Member shall document the reasons for the action taken by the Member. If the IPA Member in Public Practice believes that the Compiled Financial Information needs to be revised, the Member shall:

- take all reasonable steps to advise the Client to take the necessary steps to inform anyone who received the previously issued Compiled Financial Information of the situation; and
- if, in the view of the Member in Public Practice, the Client has not taken appropriate action, the Member shall notify Those Charged with Governance of the Client; and
- If, in the view of the IPA Member in Public Practice, appropriate action is not taken by Those Charged with Governance of the Client, the Member in Public Practice shall consider the Firm's policies and procedures established in accordance with *Acceptance and continuance of Client relationships and specific Engagements* of APES 320 *Quality Control for Firms* in determining whether to continue acting for the Client in a professional capacity.

APES 315 includes 5 appendices:

- Appendix 1 provides guidance to determine whether an Engagement is a Compilation Engagement
- Appendix 2 provides guidance to determine when a Compilation Report should be issued
- Appendix 3 is a sample Engagement Letter tailored to the Australian environment
- Appendix 4 provides numerous sample Compilation Reports tailored to the Australian environment
- Appendix 5 provides an example an Accountant's Report Disclaimer that can be used when an IPA Member in Public Practice performs an excluded activity.

4.5: APES 320 – Quality Control for Firms

Scope and application

The objectives of APES 320 *Quality Control for Firms* are to specify the mandatory obligations of a Firm in respect of establishing and maintaining a system of quality control designed to provide it with Reasonable Assurance that the:

- Firm and its Personnel are complying with Professional Standards, Relevant Ethical Requirements and applicable legal and regulatory requirements; and
- Reports issued by the Firm or Engagement Partners are appropriate in the circumstances.

APES 320 sets the standards for Members in Public Practice to establish and maintain a system of quality control in their Firms in respect of the provision of quality and ethical Professional Services. APES 320 should be read in conjunction with other professional duties of Members, and any legal obligations that may apply.

Members in Public Practice in Australia shall follow the mandatory requirements of APES 320.

Members in Public Practice practising outside of Australia shall follow the provisions of APES 320 to the extent to which they are not prevented from so doing by specific requirements of local laws and/or regulations.

Members in Public Practice shall be familiar with relevant Professional Standards and guidance notes when providing Professional Services. All Members shall comply with the fundamental principles outlined in the Code.

A Firm's Personnel may be required to comply with additional standards and guidance regarding quality control procedures at the Engagement level. For example in respect of Assurance Engagements, Auditing Standard ASA 220 *Quality Control for an Audit of a Financial Report and Other Historical Financial Information* (or equivalent predecessor ASA), issued by the Auditing and Assurance Standards Board establishes standards and provides guidance on quality control procedures for audits at the Engagement level.

Firms that have an Assurance Practice are required to apply the whole of APES 320 as applicable to their Assurance Practice and Assurance Engagements. Firms that do not have an Assurance Practice, or the non-assurance parts of Firms with an Assurance Practice, are required to apply all paragraphs of APES 320 where applicable other than those boxed and designated 'Assurance Practices only'. The application requirements are summarised in the flow chart in Appendix 1 to APES 320.

Definitions

APES 320 provides definitions of the following expressions:

• Assurance Engagement	• Assurance Practice
• Client	• Code
• Date of Report	• Engagement
• Engagement Document	• Engagement Partner
• Engagement Quality Control Review	• Engagement Quality Control Reviewer
• Engagement Team	• Firm
• Independence	• Inspection
• Key Audit Partner	• Listed Entity
• Member	• Member in Public Practice
• Monitoring	• Network
• Network Firm	• Partner
• Personnel	• Professional Activity
• Professional Bodies	• Professional Services
• Professional Standards	• Reasonable Assurance
• Relevant Ethical Requirements	• Staff
• Suitable Qualified External Person	

Objective

A Firm shall establish and maintain a system of quality control designed to provide it with Reasonable Assurance that the Firm and its Personnel comply with Professional Standards and applicable legal and regulatory requirements and that reports issued by the Firm or Engagement Partners are appropriate in the circumstances.

The policies and procedures developed by a Firm need not be complex or time-consuming to be effective. This Standard describes responsibilities for several different roles and functions within the Firm, including overall quality control and Monitoring. For a small Firm, it may be necessary for one person to perform more than one of these functions. In some circumstances, it may be appropriate to use the services of a Suitably Qualified External Person. When a Firm decides to use such a person, care should be taken to establish the legal responsibilities of the parties and to safeguard Client confidentiality.

Applying and complying with relevant requirements

Personnel within a Firm responsible for establishing and maintaining the Firm's system of quality control shall have an understanding of the entire text of this Standard, including its application and other explanatory material, to understand its objective and to apply its requirements properly.

A Firm shall comply with each requirement of this Standard unless, in the circumstances of the Firm, the requirement is not relevant to the services provided by the Firm.

Considerations specific to smaller Firms

This Standard does not call for compliance with requirements that are not relevant, for example, in the circumstances of a sole practitioner with no Staff. Requirements in this Standard such as those for policies and procedures for the assignment of appropriate Personnel to the Engagement Team, for review responsibilities, and for annual communication of the results of Monitoring to Engagement Partners within a Firm, are not relevant in the absence of Staff.

The requirements are designed to enable a Firm to achieve the objective stated in this Standard. The proper application of the requirements is therefore expected to provide a sufficient basis for the achievement of the objective. However, because circumstances vary widely and all such circumstances cannot be anticipated, the Firm shall consider whether there are particular matters or circumstances that require the Firm to establish policies and procedures in addition to those required by this Standard to meet the stated objective.

Elements of a system of quality control

A Firm shall establish and maintain a system of quality control that includes policies and procedures that address each of the following elements:

- a. Leadership responsibilities for quality within the Firm.
- b. Relevant Ethical Requirements.
- c. Acceptance and continuance of Client relationships and specific Engagements.
- d. Human resources.
- e. Engagement performance.
- f. Monitoring.

A Firm shall document its policies and procedures and communicate them to the Firm's Personnel.

Considerations specific to smaller Firms

Documentation and communication of policies and procedures for smaller Firms may be less formal and extensive than for larger Firms.

Leadership responsibilities for quality within a Firm

A Firm shall establish policies and procedures designed to promote an internal culture recognising that quality is essential in performing Engagements. Such policies and procedures shall require the Firm's chief executive officer (or equivalent) or, if appropriate, the Firm's managing board of Partners (or equivalent), to assume ultimate responsibility for the Firm's system of quality control.

A Firm shall establish policies and procedures such that any person or persons assigned operational responsibility for the Firm's system of quality control by the Firm's chief executive officer or managing board of Partners has sufficient and appropriate experience and ability, and the necessary authority, to assume that responsibility.

Relevant Ethical Requirements

A Firm shall establish policies and procedures designed to provide it with Reasonable Assurance that the Firm and its Personnel comply with Relevant Ethical Requirements.

Independence

A Firm shall establish policies and procedures designed to provide it with Reasonable Assurance that the Firm, its Personnel and, where applicable, others subject to Independence requirements (including Network Firm's Personnel) maintain Independence where required by Relevant Ethical Requirements. Such policies and procedures shall enable the Firm to:

- a. Communicate its Independence requirements to its Personnel and, where applicable, others subject to them; and
- b. Identify and evaluate circumstances and relationships that create threats to Independence, and to take appropriate action to eliminate those threats or reduce them to an acceptable level by applying safeguards, or, if considered appropriate, to withdraw from the Engagement, where withdrawal is possible under applicable law or regulation.

Assurance Practices only

A Firm shall establish policies and procedures that require:

- a. Engagement Partners to provide the Firm with relevant information about Client Engagements, including the scope of services, to enable the Firm to evaluate the overall impact, if any, on Independence requirements;
- b. Personnel to promptly notify the Firm of circumstances and relationships that create a threat to Independence so that appropriate action can be taken; and
- c. The accumulation and communication of relevant information to appropriate Personnel so that:
 - i. the Firm and its Personnel can readily determine whether they satisfy Independence requirements;
 - ii. the Firm can maintain and update its records relating to Independence; and
 - iii. the Firm can take appropriate action regarding identified threats to Independence that are not at an acceptable level.

A Firm shall establish policies and procedures designed to provide it with Reasonable Assurance that it is notified of breaches of Independence requirements, and to enable it to take appropriate actions to resolve such situations. The policies and procedures shall include requirements for:

- a. Personnel to promptly notify the Firm of Independence breaches of which they become aware;
- b. The Firm to promptly communicate identified breaches of these policies and procedures to:
 - i. The Engagement Partner who, with the Firm, needs to address the breach; and
 - ii. Other relevant Personnel in the Firm and, where appropriate, the Network, and those subject to the Independence requirements who need to take appropriate action; and
- c. Prompt communication to the Firm, if necessary, by the Engagement Partner and the Other relevant Personnel in the Firm of the actions taken to resolve the matter, so that the Firm can determine whether it should take further action.

At least annually, a Firm shall obtain written confirmation of compliance with its policies and procedures on Independence from all Firm Personnel required to be independent by Relevant Ethical Requirements.

A Firm shall establish policies and procedures:

- a. Setting out criteria for determining the need for safeguards to reduce the familiarity threat to an acceptable level when using the same senior Personnel on an Assurance Engagement over a long period of time; and

- b. Requiring, for audits of financial statements of Listed Entities, the rotation of the Engagement Partner and the individuals responsible for Engagement Quality Control Review, and where applicable, others subject to rotation requirements, after a specified period in compliance with Relevant Ethical Requirements.

Acceptance and continuance of Client relationships and specific Engagements

A Firm shall establish policies and procedures for the acceptance and continuance of Client relationships and specific Engagements, designed to provide the Firm with Reasonable Assurance that it will only undertake or continue relationships and Engagements where the Firm:

- a. Is competent to perform the Engagement and has the capabilities, including time and resources, to do so;
- b. Can comply with Relevant Ethical Requirements; and
- c. Has considered the integrity of the Client and does not have information that would lead it to conclude that the Client lacks integrity.

A Firm shall establish policies and procedures that require:

- a. The Firm to obtain such information as it considers necessary in the circumstances before accepting an Engagement with a new Client, when deciding whether to continue an existing Engagement, and when considering acceptance of a new Engagement with an existing Client.
- b. If a potential conflict of interest is identified prior to accepting an Engagement from a new or an existing Client or during the conduct of an Engagement, the Firm to determine whether it is appropriate to accept or continue the Engagement.
- c. If issues have been identified, and the Firm decides to accept or continue the Client relationship or a specific Engagement, the Firm to document how the issues were resolved.

A Firm shall establish policies and procedures on continuing an Engagement and the Client relationship, addressing the circumstances where the Firm obtains information that would have caused it to decline the Engagement had that information been available earlier. Such policies and procedures shall include consideration of:

- a. The professional and legal responsibilities that apply to the circumstances, including whether there is a requirement for the Firm to report to the person or persons who made the appointment or, in some cases, to regulatory authorities; and
- b. The possibility of withdrawing from the Engagement or from both the Engagement and the Client relationship.

Human resources

A Firm shall establish policies and procedures designed to provide it with Reasonable Assurance that it has sufficient Personnel with the competence, capabilities and commitment to ethical principles necessary to:

- a. Perform Engagements in accordance with Professional Standards and applicable legal and regulatory requirements; and
- b. Enable the Firm or Engagement Partners to issue reports that are appropriate in the circumstances.

Personnel issues relevant to a Firm's policies and procedures related to human resources include, for example:

- Recruitment.
- Performance evaluation.
- Capabilities, including time to perform assignments.
- Competence.
- Career development.
- Promotion.
- Compensation.
- The estimation of Personnel needs.

Effective recruitment processes and procedures help the Firm select individuals of integrity who have the capacity to develop the competence and capabilities necessary to perform the Firm's work and possess the appropriate characteristics to enable them to perform competently.

Considerations specific to smaller Firms

The size and circumstances of a Firm will influence the structure of the Firm's performance evaluation process. Smaller Firms, in particular, may employ less formal methods of evaluating the performance of their Personnel.

Assignment of Engagement Team

A Firm shall assign responsibility for each Engagement to an Engagement Partner and shall establish policies and procedures requiring that:

- a. The identity and role of the Engagement Partner are communicated to key members of Client management and those charged with governance;
- b. The Engagement Partner has the appropriate competence, capabilities and authority to perform the role; and
- c. The responsibilities of the Engagement Partner are clearly defined and communicated to that Partner.

A Firm shall establish policies and procedures to assign appropriate Personnel with the necessary competence and capabilities to:

- a. Perform Engagements in accordance with Professional Standards and applicable legal and regulatory requirements; and
- b. Enable the Firm or Engagement Partners to issue reports that are appropriate in the circumstances.

Engagement performance

A Firm shall establish policies and procedures designed to provide it with Reasonable Assurance that Engagements are performed in accordance with Professional Standards and applicable legal and regulatory requirements, and that the Firm or the Engagement Partner issue reports that are appropriate in the circumstances. Such policies and procedures shall include:

- a. Matters relevant to promoting consistency in the quality of Engagement performance;
- b. Supervision responsibilities; and
- c. Review responsibilities.

A Firm's review responsibility policies and procedures shall be determined on the basis that work of less experienced team members is reviewed by more experienced Engagement Team members.

Consultation

A Firm shall establish policies and procedures designed to provide it with Reasonable Assurance that:

- a. Appropriate consultation takes place on difficult or contentious matters;
- b. Sufficient resources are available to enable appropriate consultation to take place;

Assurance Practices only

- c. The nature and scope of, and conclusions arising from, such consultations are documented and agreed by both the individual seeking consultation and the individual consulted; and

- d. Conclusions resulting from consultations are implemented.

Considerations specific to smaller Firms

A Firm needing to consult externally, for example, a Firm without appropriate internal resources may take advantage of advisory services provided by:

- Other Firms;
- Professional and regulatory bodies; or
- Commercial organisations that provide relevant quality control services.

Before contracting for such services, consideration of the competence and capabilities of the external provider helps the Firm to determine whether the external provider is suitably qualified for that purpose.

Engagement Quality Control Review

Assurance Practices only

A Firm shall establish policies and procedures requiring, for appropriate Engagements, an Engagement Quality Control Review that provides an objective evaluation of the significant judgements made by the Engagement Team and the conclusions reached in formulating the report. Such policies and procedures shall:

- a. Require an Engagement Quality Control Review for all audits of financial statements of Listed Entities;
- b. Set out criteria against which all other audits and reviews of historical financial information, and other assurance and related services Engagements shall be evaluated to determine whether an Engagement Quality Control Review should be performed; and
- c. Require an Engagement Quality Control Review for all Engagements, if any, meeting the criteria established in subparagraph b.

Nature, timing and extent of Engagement Quality Control Review

A Firm shall establish policies and procedures setting out the nature, timing and extent of an Engagement Quality Control Review. Such policies and procedures shall require that the Engagement report not be dated until the completion of the Engagement Quality Control Review.

A Firm shall establish policies and procedures to require the Engagement Quality Control Review to include:

- a. Discussion of significant matters with the Engagement Partner;
- b. Review of the financial statements or other subject matter information and the proposed report;
- c. Review of selected Engagement Documentation relating to significant judgements the Engagement Team made and the conclusions it reached; and
- d. Evaluation of the conclusions reached in formulating the report and consideration of whether the proposed report is appropriate.

For audits of financial statements of Listed Entities, a Firm shall establish policies and procedures to require the Engagement Quality Control Review to include consideration of the following:

- a. The Engagement Team's evaluation of the Firm's Independence in relation to the specific Engagement;
- b. Whether appropriate consultation has taken place on matters involving differences of opinion or other difficult or contentious matters, and the conclusions arising from those consultations; and
- c. Whether documentation selected for review reflects the work performed in relation to significant judgements and supports the conclusions reached.

Criteria for the eligibility of Engagement Quality Control Reviewers

A Firm shall establish policies and procedures to address the appointment of Engagement Quality Control Reviewers and establish their eligibility through:

- a. The technical qualifications required to perform the role, including the necessary experience and authority; and
- b. The degree to which an Engagement Quality Control Reviewer can be consulted on the Engagement without compromising the reviewer's objectivity.

A Firm shall establish policies and procedures designed to maintain the objectivity of the Engagement Quality Control Reviewer.

A Firm's policies and procedures shall provide for the replacement of the Engagement Quality Control Reviewer where the reviewer's ability to perform an objective review may be impaired.

Considerations specific to smaller Firms

It may not be practicable, in the case of Firms with few Partners, for the Engagement Partner not to be involved in selecting the Engagement Quality Control Reviewer. Suitably Qualified External Persons may be contracted where sole practitioners or small Firms identify Engagements requiring Engagement Quality Control Reviews. Alternatively, some sole practitioners or small Firms may wish to use other Firms to facilitate Engagement Quality Control Reviews.

Documentation of the Engagement Quality Control Review

A Firm shall establish policies and procedures on documentation of the Engagement Quality Control Review which require documentation that:

- a. The procedures required by the Firm's policies on Engagement Quality Control Review have been performed;
- b. The Engagement Quality Control Review has been completed on or before the Date of Report; and
- c. The reviewer is not aware of any unresolved matters that would cause the reviewer to believe that the significant judgements the Engagement Team made and the conclusions it reached were not appropriate.

Differences of opinion

A Firm shall establish policies and procedures for dealing with and resolving differences of opinion within the Engagement Team, with those consulted and, where applicable, between the Engagement Partner and the Engagement Quality Control Reviewer.

Such policies and procedures shall require that:

- a. Conclusions reached be documented and implemented; and
- b. The report not be dated until the matter is resolved.

Engagement Documentation

Completion of the assembly of final Engagement files

A Firm shall establish policies and procedures for Engagement Teams to complete the assembly of final Engagement files on a timely basis after the Engagement reports have been finalised.

Confidentiality, safe custody, integrity, accessibility and retrievability of Engagement Documentation

A Firm shall establish policies and procedures designed to maintain the confidentiality, safe custody, integrity, accessibility and retrievability of Engagement Documentation.

Retention of Engagement Documentation

A Firm shall establish policies and procedures for the retention of Engagement Documentation for a period sufficient to meet the needs of the Firm or as required by law or regulation.

Ownership of Engagement Documentation

Unless otherwise specified by law or regulation, Engagement Documentation is the property of a Firm. The Firm may, at its discretion, make portions of, or extracts from, Engagement Documentation available to Clients, provided such disclosure does not undermine the validity of the work performed, or, in the case of Assurance Engagements, the Independence of the Firm or its Personnel.

Monitoring

Monitoring a Firm's quality control policies and procedures

A Firm shall establish a Monitoring process designed to provide it with Reasonable Assurance that the policies and procedures relating to the system of quality control are relevant, adequate, and operating effectively. This process shall:

- a. Include an ongoing consideration and evaluation of the Firm's system of quality control, including, on a cyclical basis, Inspection of at least one completed Engagement for each Engagement Partner;

- b. Require responsibility for the Monitoring process to be assigned to a Partner or Partners or other persons with sufficient and appropriate experience and authority in the Firm to assume that responsibility; and
- c. Require that those performing the Engagement or the Engagement Quality Control Review are not involved in inspecting the Engagements.

Assurance Practices only

Evaluating, communicating and remedying identified deficiencies

A Firm shall evaluate the effect of deficiencies noted as a result of the Monitoring process and determine whether they are either:

- a. Instances that do not necessarily indicate that the Firm's system of quality control is insufficient to provide it with Reasonable Assurance that it complies with Professional Standards and applicable legal and regulatory requirements, and that the reports issued by the Firm or Engagement Partners are appropriate in the circumstances; or
- b. Systemic, repetitive or other significant deficiencies that require prompt corrective action.

A Firm shall communicate to relevant Engagement Partners and other appropriate Personnel deficiencies noted as a result of the Monitoring process and recommendations for appropriate remedial action.

Recommendations for appropriate remedial actions for deficiencies noted shall include one or more of the following:

- a. Taking appropriate remedial action in relation to an individual Assurance Engagement or member of Personnel;
- b. The communication of the findings to those responsible for training and professional development;
- c. Changes to the quality control policies and procedures; and
- d. Disciplinary action against those who fail to comply with the policies and procedures of the Firm, especially those who do so repeatedly.

A Firm shall establish policies and procedures to address cases where the results of the Monitoring procedures indicate that a report may be inappropriate or that procedures were omitted during the performance of the Assurance Engagement. Such policies and procedures shall require the Firm to determine what further action is appropriate to comply with relevant Professional Standards and applicable legal and regulatory requirements and to consider whether to obtain legal advice.

A Firm shall communicate at least annually the results of the Monitoring of its system of quality control to Engagement Partners and other appropriate individuals within the Firm, including the Firm's chief executive officer or, if appropriate, its managing board of Partners. This communication shall be sufficient to enable the Firm and these individuals to take prompt and appropriate action where necessary in accordance with their defined roles and responsibilities. Information communicated shall include the following:

- a. A description of the Monitoring procedures performed.
- b. The conclusions drawn from the Monitoring procedures.
- c. Where relevant, a description of systemic, repetitive or other significant deficiencies and of the actions taken to resolve or amend those deficiencies.

Some Firms operate as part of a Network and, for consistency, may implement some of their Monitoring procedures on a Network basis. Where Firms within a Network operate under common Monitoring policies and procedures designed to comply with this Standard, and these Firms place reliance on such a Monitoring system, the Firm's policies and procedures shall require that:

- a. At least annually, the Network communicate the overall scope, extent and results of the Monitoring process to appropriate individuals within the Network Firms; and
- b. The Network communicate promptly any identified deficiencies in the system of quality control to appropriate individuals within the relevant Network Firm or Firms so that the necessary action can be taken,

in order that Engagement Partners in the Network Firms can rely on the results of the Monitoring process implemented within the Network, unless the Firms or the Network advise otherwise.

Complaints and allegations

A Firm shall establish policies and procedures designed to provide it with Reasonable Assurance that it deals appropriately with:

- a. Complaints and allegations that the work performed by the Firm fails to comply with Professional Standards and applicable legal and regulatory requirements; and
- b. Allegations of non-compliance with the Firm's system of quality control.

As part of this process, the Firm shall establish clearly defined channels for Firm's Personnel to raise any concerns in a manner that enables them to come forward without fear of reprisals.

Assurance Practices only

Policies and procedures established for the investigation of complaints and allegations may include for example, that the Partner supervising the investigation:

- Has sufficient and appropriate experience;
- Has authority within the Firm; and
- Is otherwise not involved in the Engagement.

The Partner supervising the investigation may involve legal counsel as necessary.

If during the investigations into complaints and allegations, deficiencies in the design or operation of the Firm's quality control policies and procedures or non-compliance with the Firm's system of quality control by an individual or individuals are identified, the Firm shall take one or more of the following actions:

- Taking appropriate remedial action in relation to an individual Assurance Engagement or member of Personnel;
- The communication of the findings to those responsible for training and professional development;
- Changes to the quality control policies and procedures; and
- Disciplinary action against those who fail to comply with the policies and procedures of the Firm, especially those who do so repeatedly.

Considerations specific to smaller Firms

It may not be practicable, in the case of Firms with few Partners, for the Partner supervising the investigation not to be involved in the Engagement. These small Firms and sole practitioners may use the services of a Suitably Qualified External Person or another Firm to carry out the investigation into complaints and allegations.

Documentation of the system of quality control

A Firm shall establish policies and procedures requiring appropriate documentation to provide evidence of the operation of each element of its system of quality control.

Considerations specific to smaller Firms

Smaller Firms may use more informal methods in the documentation of their systems of quality control such as manual notes, checklists and forms.

A Firm shall establish policies and procedures that require retention of documentation for a period of time sufficient to permit those performing Monitoring procedures to evaluate the Firm's compliance with its system of quality control, or for a longer period if required by law or regulation.

A Firm shall establish policies and procedures requiring documentation of complaints and allegations and the responses to them.

Further Guidance

APES 320 sets out additional guidance on the various matters outlined in this Chapter/Module. APES 320 can be downloaded from the APESB website at www.apesb.org.au.

APES 320 is based on the *International Standard on Quality Control (ISQC 1), Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements* (2009) of the *Handbook of the International Quality Control, Auditing, Review, Other Assurance, and Related Services Pronouncements* of the International Auditing and Assurance Standards Board.

The International Federation of Accountants has published a Guide to Quality Control for Small and Medium Sized Practices. The guide contains the requirements set out in ISQC 1 in addition to implementation guidance, including discussion material and an integrated case study. The guide provides non-authoritative guidance on applying ISQC 1. It is not to be used as a substitute for reading ISQC 1, but as a supplement to help practitioners understand and consistently implement this standard within their firms when developing a system of quality control for audits and reviews of financial information, and other assurance and related service engagements.

The guide can be downloaded from <https://www.ifac.org/publications-resources/guide-quality-control-small-and-medium-sized-practices-third-edition-0>.

4.6: APES 325 – Risk Management for Firms

Scope and application

The objectives of APES 325 *Risk Management for Firms* are to specify the mandatory obligations of a Firm to:

- establish and maintain a Risk Management Framework in order to identify, assess and manage key organisational Risks;
- monitor the Firm's Risk Management Framework on an ongoing basis; and
- document the Firm's Risk Management Framework and to communicate its Risk Management policies and procedures to its Personnel.

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 identifies 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.

Members in Public Practice conducting the operations of a Firm in Australia shall follow the mandatory requirements of APES 325.

Members in Public Practice conducting the operations of a Firm outside Australia shall follow the provisions of APES 325 to the extent to which they are not prevented from so doing by specific requirements of local laws and/or regulations.

Members in Public Practice shall be familiar with relevant Professional Standards and guidance notes when providing Professional Services. All Members shall comply with the fundamental principles outlined in the Code.

Definitions

APES 325 provides definitions of the following expressions:

• Client	• Code
• Engagement	• Firm
• Member	• Member in Public Practice
• Monitoring	• Network
• Partner	• Personnel
• Professional Activity	• Professional Bodies
• Professional Services	• Professional Services
• Professional Standards	• Risk
• Risk Management	• Risk Management Framework
• Staff	

Objectives of a Risk Management Framework

An effective Risk Management Framework should assist a Firm to meet its overarching public interest obligations as well as its business objectives by:

- Facilitating business continuity;
- Enabling quality and ethical Professional Services to be rendered to Clients; and
- Protecting the reputation and credibility of the Firm.

The Risk Management Framework should consist of policies designed to achieve the objectives set out above 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 and should take account of the Firm's Risk appetite.

A Firm's quality control policies and procedures, developed in accordance with APES 320 *Quality Control for Firms*, should be embedded within the Risk Management Framework. This will facilitate a Firm complying with this standard and APES 320 and ensure consistency within the Firm's policies and procedures.

Establishing and maintaining a Risk Management Framework for a Firm

A Firm shall establish and maintain a Risk Management Framework taking into consideration its public interest obligations. The Firm shall periodically evaluate the design and effectiveness of the Risk Management Framework.

The Firm's Risk Management Framework shall include policies and procedures that identify, assess and manage key organisational Risks, which may include:

- Governance Risks;
- Business continuity Risks (including succession planning);
- Business Risks;
- Financial Risks;
- Regulatory Risks;
- Technology Risks;
- Human resources Risks; and
- Stakeholder Risks.

Additional Risks specific to the Firm can be identified through the use of other relevant standards or guidance.

The nature and extent of the policies and procedures developed by a Firm to comply with this Standard will depend on various factors such as the size and operating characteristics of the Firm and whether it is part of a Network.

The Firm's chief executive officer (or equivalent) or, if appropriate, the Firm's managing board of Partners (or equivalent), shall take ultimate responsibility for the Firm's Risk Management Framework.

Guidance for smaller Firms

For sole practitioners and small Firms, *Module 7: Risk Management* of the *Guide to Practice Management for Small and Medium-sized Practices* issued by the Small and Medium Practices Committee of the International Federation of Accountants.

The guide can be downloaded from <https://www.ifac.org/publications-resources/guide-practice-management-small-and-medium-sized-practices>.

Monitoring a Firm's Risk Management policies and procedures

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 effectively and that instances of non-compliance with the Firm's Risk Management policies and procedures are detected.

A Firm shall establish a process whereby instances of non-compliance with the Firm's Risk Management policies and procedures are brought to the attention of the Firm's leadership who shall take appropriate corrective action.

Documentation

A Firm shall document its Risk Management Framework.

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:

- The number of Personnel and offices of the Firm; and
- The nature and complexity of the Firm's practice and the Professional Services provided.

A Firm shall document its Risk Management policies and procedures and communicate them to the Firm's Personnel.

Communication of Risk Management policies and procedures to a Firm's Personnel should include a description of the policies and procedures, the objectives they are designed to achieve, and a message that each individual has a personal responsibility for Risk Management and is required to comply with the policies and procedures. In recognition of the importance of obtaining feedback on the Firm's Risk Management Framework and policies and procedures, the Firm's Personnel should be encouraged to communicate their views and concerns on Risk Management matters.

The documentation of a Firm's Risk Management Framework should include:

- 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;
- Training of Staff in relation to Risk Management; and
- Procedures for regularly reviewing the Risk Management Framework.

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.

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.

Illustrations – Rating Risks

The following illustrations are one element of a Firm's Risk Management Framework. The illustrations in themselves do not represent a Risk Management Policy but illustrate how a Firm may go about rating risks. The illustrations have been modelled on the Victorian Government's Risk Management Framework as adopted by the Victorian Managed Insurance Authority (source: www.vmia.vic.gov.au).

Illustration 1: Likelihood Rating Scale

Likelihood Rating	Descriptor	Definition	Indicative Frequency
5	Almost certain	The consequence is expected to occur on an annual basis	Every year or more frequently
4	Likely	The event has occurred several times or more throughout history of the organization	Every three years
3	Possible	The event might occur once in the organization	Every ten years
2	Unlikely	The event does occur from time to time	Every thirty years
1	Very Unlikely	Heard of something like that occurring elsewhere	Every 100 years

Illustration 2: Consequence Rating Scale

The categories below are a guide only – the organisation should adopt categories specific to its risk profiles.

Consequence Rating	Financial Impact	People Effects	Reputation	Service Outputs	Legal & Compliance	Management Impact
5	>\$3m	One or more fatalities or severe irreversible disability to one or more people	National media coverage; Significant impact on funding for several years; long-term loss of clients	Total cessation of multiple services for many months	Major litigation costing >\$3m; Investigation by regulatory body resulting in long term interruption of operations	Restructuring of organisation with loss of many senior managers
4	\$1m - \$3m	Extensive injury or impairment to one or more persons	State media coverage; CEO departs affecting funding or causing loss of clients for many months	Disruption of multiple services for several months	Major breach of regulation with punitive fine, and significant litigation involving many weeks of senior management time and up to \$3m legal costs	Significant disruption that will require considerable senior management time over several weeks
3	\$300k - \$999k	Short term disability to one or more persons	Local media coverage over several days; senior managers depart; noticeable loss of clients for many months	Total cessation of one service for a few months	Breach of regulation with investigation by authority and possible moderate fine, and litigation and legal costs up to \$999k	Disruption that will require senior management time over several weeks
2	\$10k - \$299k	Significant medical treatment; lost injury time <2 weeks	Local media coverage, and complaint to management	Some service disruption in the area	Breach of regulations; major fine or legal costs; minor litigation	Will require some senior management time over many days
1	<\$10k	First aid or minor	No media coverage;	Minimal disruption	Minor legal issues or breach of regulations	Will require some management

Consequence Rating	Financial Impact	People Effects	Reputation	Service Outputs	Legal & Compliance	Management Impact
		medical treatment	complaint to employee			attention over several days

Illustration 3: Description of Risk Levels

Risk Level	Description
Very High	Requires ongoing executive level oversight. The level of risk warrants that all possible mitigation measures be analysed in order to bring about a reduction in exposure.
High	Action plans and resources required. The level of risk is likely to endanger capability and should be reduced through mitigation strategies where possible.
Medium	This level of risk should not automatically be accepted for risk mitigation but rather a cost-benefit analysis is required to determine if treatment is necessary.
Low	Treatment when resources are available. The risk should be able to be managed via existing controls and normal operating procedures.

Illustration 4: Likelihood and Consequence Matrix

		Consequence				
		1	2	3	4	5
Likelihood	5	Medium (5)	High (10)	Very High (15)	Very High (20)	Very High (25)
	4	Low (4)	High (8)	High (12)	Very High (16)	Very High (20)
	3	Low (3)	Medium (6)	Medium (9)	High (12)	Very High (15)
	2	Low (2)	Low (4)	Medium (6)	Medium (8)	High (10)
	1	Low (1)	Low (1)	Low (3)	Medium (4)	High (5)

Illustration 5: Control Effectiveness Rating

Control Rating	Descriptor	Definition
3	High	Control operating effectively, no deficiencies noted
2	Medium	Some deficiencies in the control have been identified however there are compensating controls to cover identified faults
1	Low	Significant control deficiencies have been identified

Illustrative Template 1 – Risk Treatment Plan

The following illustrative template is one element of a Firm's Risk Management Framework. The illustration does not represent a Risk Management Policy but illustrates how a Firm may go about treating one risk. The illustration has been modelled on the Victorian Government's Risk Management Framework as adopted by the Victorian Managed Insurance Authority (source: www.vmia.vic.gov.au).

Area/Department		Risk Register ID	
Date Treatment Developed		Risk Category	
Risk Owner		Treatment Owner	

Risk Description	Control Effectiveness	Risk Treatment			Monitor & Review	Implementation Status
		Treatment Action	Responsibility	Implementation Date		
Provide a description of what the risk is.	Provide the last known control effectiveness rating (e.g. high, medium or low).	<p>Selecting the most appropriate treatment option involves balancing the costs and efforts of implementation against the benefits derived. Factors such as legal, regulatory, the natural environment and social corporate responsibility must also be considering when deciding on treatment options. Some examples of treatment options are:</p> <ul style="list-style-type: none"> Avoiding the risk by deciding not to start or continue the activity that gives rise to the risk Taking or increasing the risk in order to pursue an opportunity Removing the risk source Changing the likelihood Changing the consequence Sharing the risk with another party 	<p>Assign person to authorise the time and resources required for risk treatment.</p> <p>Assign person must implement the risk treatment.</p>	Agreed timeframes must be establishing to outline when risk treatment will be achieved and completed.	Consideration must be given to how risk treatment will be monitored to assess whether the treatment is effective. The frequency and method of how progress against treatment plans is reported must be defined.	Provide a status with regard to implementation progress (e.g. not started, in progress or completed).

Illustrative Template 2 – Risk Management Policy

The following illustrative template is one element of a Firm's Risk Management Framework. The illustration has been modelled on the Victorian Government's Risk Management Framework as adopted by the Victorian Managed Insurance Authority (source: www.vmia.vic.gov.au).

Illustrative Template Risk Management Policy for < name of organisation >

Last updated: November 2017

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Date of issue/update	Created: <dd month year >	Version	<1,2 etc>
	Last reviewed and/or updated: <dd month year >		
Policy owner	Example: Human Resources Manager		
Approved by	<Executive GM, insert division> or <Committee>	<dd month year >	
Audit & Risk Committee sign off needed?	Yes or No	<dd month year >	

1. Purpose

Outline the purpose of the risk management policy.

Example:

The purpose of the risk management policy is to provide guidance regarding the management of risk to support the achievement of corporate objectives, protect staff and business assets and ensure financial sustainability.

2. Scope

Specify who this policy applies to.

Example:

This policy applies to all [organisation name] activities. It forms part of [organisation name] governance framework and is applies to all employees, contractors and volunteers.

3. Risk Governance

Provide an overview of the risk governance structure of the organisation. Indicate who is involved in risk management and what their responsibilities are.

Example: See below

Board	Provides policy, oversight and review of risk management
Audit and Risk Committee	Oversees regular review of risk management activities
Chief Executive Officer	Drives culture of risk management and signs off on annual risk attestation
Risk Manager	Continuously improving risk management policy, strategy and supporting framework
Managers	Ensure staff in their business units comply with the risk management policy and foster a culture where risks can be identified and escalated
Staff and Contractors	Comply with risk management policies and procedures

4. Risk Management Process

Outline the steps involved in the risk management process. Make reference to the risk management procedure for practical guidance on the process.

Example:

When undertaking a risk management process the following steps must be taken: establish the context, identify the risk, analyse the risk, evaluate the risk, treat the risk and monitor and review the risk. Refer to the risk management procedure for details on how to perform each step in the process.

5. Integration with other systems and processes

Describe how risk management is integrated and embedded into organisational processes.

Example:

Risk management is factored into business planning, performance management, audit and assurance, business continuity management and project management.

6. Risk Categories

Specify risk categories to be included in the risk register and in risk reporting.

Example:

Risk categories may include strategic, financial, environmental, safety, people and reputation.

7. Risk Register

Specify the purpose of the risk register. Include details on the types of risks to be included on the risk register (e.g. operational or strategic), the criterion for adding and removing risks from the register, who will review the risk register and how often it will be reviewed.

8. Risk Reporting

Outline the risk reporting requirements. The purpose of risk reporting is to create awareness of key risks, improve accountability for the management of risk and the timely completion of risk treatment plans. Details as to who prepares reports, who reviews reports and how often reports are reviewed should be included.

Example:

The strategic risk register is prepared by the Chief Risk Officer and reviewed by the Audit Committee on a quarterly basis.

9. Risk Management Performance

Outline how the performance of risk management will be measured. Measuring performance is a key monitoring activity to assess how effective risk management is at supporting corporate objectives.

Example:

Risk management performance indicators may include the number of internal audits completed per annum, the number of internal audit findings accepted by management, the timeliness of remediating internal audit findings, the reduction in the number of extreme risks in the risk register.

10. Risk Appetite

Articulate the organisations risk appetite through a risk appetite statement. The risk appetite statement influences and guides decision making, clarifies strategic intent and ensures choices align with the capacities and capabilities of the agency.

Example:

There is no standard or universal risk appetite statement. Refer to pg. 22 of VMIA's Risk Management Guideline for assistance on how to develop a risk appetite statement.

11. Interagency and State Significant Risks

State the organisations approach to identifying and managing interagency and state significant risks.

Example:

Refer to pg. 51 of VMIA's Risk Management Guideline for guidance on how to identify and manage interagency and state significant risks.

12. Review and approval

State how often and who will review the risk management policy. Review of the risk management policy should take into the account progress made against the risk management improvement plan, which is a blueprint for how the risk management policy is implemented across the organisation.

13. References and related documents

Associated policies	Risk Management Improvement Plan Risk Management Procedure Risk Register
References /statutory references	<i>AS/NZS ISO 31000:2009 – Risk management - Principles and guidelines (20 November, 2009)</i> HB436 <Insert statute in italics> <i>Example: Public Administration Act 2004</i> <i>VGRMF – to be included</i>
Attachments	Example: Procedure or Form

Further Guidance

APES 325 sets out additional guidance on the various matters outlined in this Chapter/Module. APES 325 can be downloaded from the APESB website at www.apesb.org.au.

IFAC resources

- Practice Management Guide for Small and Medium Practices (refer: <file:///D:/Dropbox/IPA%20PP%20Course%20Redevelopment/IFAC/guide-practice-management-small-and-medium-sized-practices.html>) and its associated Companion Manual (<https://www.ifac.org/publications-resources/companion-manual>).
- IFAC's Global Knowledge Gateway contains numerous articles and publications on risk management (refer: <https://www.ifac.org/global-knowledge-gateway/risk-management-internal-control>).

4.7: APES 330 – Insolvency Services

Scope and application

The objectives of APES 330 *Insolvency Services* are:

- to mandate Independence requirements for Members in Public Practice who are responsible for Appointments;
- to mandate that Members in Public Practice provide the Approving Body with a *Declaration of Independence, Relevant Relationships and Indemnities* (DIRRI) and to specify the minimum requirements of the DIRRI;
- to specify requirements for a Member in Public Practice who intends to replace another practitioner who has commenced an Appointment;
- to specify the professional obligations of a Member in Public Practice who is acting in the capacity of an Expert Witness during the course of an Administration;
- to specify requirements for a Member in Public Practice to disclose relevant information about Professional Fees and Expenses to the director(s) of the insolvent Entity or to the Insolvent Debtor; and
- to specify the quality control and documentation obligations of a Member in Public Practice who provides Insolvency Services.

APES 330 sets the standards for Members in Public Practice in the provision of quality and ethical Insolvency Services. APES 330 should be read in conjunction with other professional duties of Members and any legal obligations that may apply.

Members in Public Practice in Australia shall follow the mandatory requirements of APES 330 when they provide Insolvency Services.

Members in Public Practice outside of Australia shall follow the mandatory requirements of APES 330 when they provide Insolvency Services, to the extent to which they are not prevented from so doing by specific requirements of local laws and/or regulations.

Members in Public Practice shall be familiar with relevant Professional Standards and guidance notes when providing Professional Services. All Members shall comply with the fundamental principles outlined in the Code.

Definitions

APES 330 provides definitions of the following expressions:

• Acceptable Level	• Administration
• Appointee	• Appointment
• Approving Body	• Associate
• Close Family	• Code
• Committee	• Contingent Fee
• Controller	• Engagement
• Entity	• Expenses
• Expert Witness	• Expert Witness Service
• Financial Interest	• Firm
• Immediate Family	• Independence
• Inducement	• Insolvency Services
• Insolvent Debtor	• Managerial Employee
• Member	• Member in Public Practice
• Network	• Network Firm
• Office	• Other Evidence
• Partner	• Pre-appointment Advice
• Professional Activity	• Professional Bodies
• Professional Fees	• Professional Services
• Professional Standards	• Referring Entity
• Related Entity	• Trustee

Fundamental responsibilities of Members in Public Practice

A Member in Public Practice providing an Insolvency Service shall comply with Section 100 *Introduction and Fundamental Principles* of the Code and relevant law.

Public interest

In accordance with Section 100 *Introduction and Fundamental Principles* of the Code, a Member in Public Practice shall observe and comply with the Member's public interest obligations when the Member provides an Insolvency Service.

A Member in Public Practice shall not advise an insolvent Entity (nor, if the Entity is a company, its directors) on how to cause assets to be unavailable in an Administration or to otherwise avoid the consequences of the insolvency.

Professional competence and due care

A Member in Public Practice providing an Insolvency Service shall maintain professional competence, take due care and act in a timely manner in the performance of the Member's work in accordance with Section 130 *Professional Competence and Due Care* of the Code.

When dealing with other practitioners in transitioning Appointments or where there are parallel Appointments, a Member in Public Practice shall be professional and co-operative, without compromising the Member's obligations in the Member's Appointment.

Where an Insolvency Service requires the consideration of matters that are outside the professional expertise of a Member in Public Practice, the Member shall seek expert assistance or advice from a suitably qualified third party, or decline the Insolvency Service. Where the Member relies on the advice of a third party, the Member shall disclose in relevant reports or communications the name and qualifications of the third party and the areas in which third party advice has been obtained. This obligation does not extend to legal advice where disclosure may result in a waiver of legal professional privilege.

When planning to use the work of a suitably qualified third party, a Member in Public Practice shall assess the professional competence and objectivity of that third party, the appropriateness and reasonableness of the work performed, and the Professional Fees charged.

A Member in Public Practice shall take all reasonable steps to communicate with Entities affected by an Administration in a timely and clear manner as to the insolvency processes and the rights and obligations of the Entities.

Prior to accepting an Appointment, a Member in Public Practice shall ensure that the Member has the capacity and has access to the necessary resources to conduct the proposed Administration in an effective and efficient manner.

If a Member in Public Practice accepts an Appointment with another insolvency practitioner, all Appointees are equally responsible for all decisions made on the Appointment.

Confidentiality

In accordance with Section 140 *Confidentiality* of the Code, a Member in Public Practice who acquires confidential information in the course of an Insolvency Service shall not use that information for any purpose other than the proper performance of that Insolvency Service.

Professional Behaviour

A Member in Public Practice providing an Insolvency Service shall comply with Section 250 *Marketing Professional Services* of the Code.

When placing an advertisement in respect of an Administration, a Member in Public Practice shall not use that advertisement to market the Member's Professional Services.

A Member in Public Practice shall not include slogans, logos, claims about the Member's Firm, or other promotional material in statutory advertisements.

A Member in Public Practice shall not provide any Inducement to any Entity to secure an Appointment for the Member or to secure or prevent the Appointment or nomination of another person.

A Member in Public Practice shall not accept an Appointment or perform an Administration that involves:

- a. referral or other commissions, or monetary or non-monetary benefits;
- b. spotter's fees;
- c. understandings or requirements that work in the Administration will be given to a referrer; or
- d. any other such arrangements that restrict the proper exercise of the Member's judgement and duties.

Professional Independence

The following professional independence requirements do not apply to Appointments as Controller or Liquidator in a members' voluntary liquidation, however this does not remove a Member in Public Practice's obligations to comply with the relevant law in respect of Independence.

An IPA Member in Public Practice accepting an Appointment or conducting an Administration shall maintain Independence.

Exception

An IPA Member in Public Practice shall identify, evaluate and address threats to the Independence of the Member, prior to accepting an Appointment. Where the Member identifies a threat the Member shall not accept the Appointment, unless:

- the threat is trivial and inconsequential;
- the threat arises in circumstances or relationships that are permitted by this Standard; or

- the Member obtains court approval.

An IPA Member in Public Practice conducting an Administration shall:

- act impartially in the discharge of the Member's duties and responsibilities; and
- ensure that the Member's personal interests do not conflict with the Member's duty to the creditors.

When seeking to identify relationships with an insolvent Entity, an IPA Member in Public Practice shall take reasonable steps to identify and evaluate any threats the Member has reason to believe are created by the Firm's or Network Firms' interests and relationships with the insolvent Entity, its Related Entities or Associates. The Member shall consider the following matters when identifying relevant Network Firms:

- a. the geographical regions or countries in which the insolvent Entity, its Related Entities or Associates operate; and
- b. relationships with the directors or officers of the insolvent Entity, its Related Entities or Associates.

A Member in Public Practice shall not accept an Appointment, where the Member, the Member's Firm, a Network Firm or their Partners or those Managerial Employees in the Office in which the Member practises have, or have had, any of the following relationships:

- a. a Close or Immediate Family relationship with:
 - the insolvent Entity;
 - a director or officer of the insolvent Entity; or
 - an employee of or adviser to the insolvent Entity who is in a position to exert direct and significant influence over the insolvent Entity.
- b. a close personal relationship with:
 - the insolvent Entity;
 - an Associate or Related Entity of the insolvent Entity; or
 - an employee of or adviser to the insolvent Entity who is in a position to exert direct and significant influence over the insolvent Entity.
- c. a material business relationship, including the holding of a material Financial Interest, whether directly or indirectly in or jointly in the previous two years with:
 - the insolvent Entity;
 - an Associate or Related Entity of the insolvent Entity; or
 - an employee of or adviser to the insolvent Entity who is in a position to exert direct and significant influence over the insolvent Entity.
- d. a material loan or material guarantee, in the previous two years, to or from:
 - the insolvent Entity;
 - an Associate or Related Entity of the insolvent Entity; or
 - an employee of or adviser to the insolvent Entity who is in a position to exert direct and significant influence over the insolvent Entity.
- e. employment with the insolvent Entity in the preceding two years, in a position to exert direct and significant influence over the insolvent Entity.

Where an IPA Member in Public Practice, in a capacity other than as an Appointee, has a controlling interest in, or the ability to influence, a business operating in the same, or principally the same market as the insolvent Entity, the Member shall evaluate the significance of any threats to Independence and, when necessary, apply safeguards to eliminate the threats or reduce them to an Acceptable Level. Where there are no safeguards that can eliminate the threats or reduce them to an Acceptable Level, the Member shall decline the Appointment.

An IPA Member in Public Practice shall not accept an Appointment where the Member, the Member's Firm or a Network Firm has during the prior two years provided a Professional Service to the insolvent Entity, unless the Professional Service is considered immaterial or is one of the following circumstances and relationships which are not considered to create a threat to independence:

- a. a third party who is not an Associate or Related Entity of an insolvent Entity engaging the Member, the Member's Firm or a Network Firm to investigate, monitor or advise on the affairs of the insolvent Entity on behalf of the third party where the scope of the Engagement will not compromise the Member's Independence and will not be subject to review or challenge in a subsequent Administration and any Professional Fees received for the Engagement would not be a preferential payment in a subsequent Administration; or
- b. the transition of an Appointment from one type of insolvency Administration to another under the relevant legislation, subject to the terms of that legislation, for example from an Appointment as administrator to voluntary liquidator under the *Corporations Act 2001*; or
- c. Pre-appointment Advice provided by the Member, the Member's Firm or the Network Firm to the insolvent Entity, which was limited to:
 - the financial situation of the Entity;
 - the solvency of the Entity;
 - the consequences of insolvency for the Entity; or
 - alternative courses of action available to the Entity.

Where an IPA Member in Public Practice is considering accepting an Appointment and two or more Firms or Network Firms have merged in the preceding two years, the Member shall evaluate any relationships that the Member is aware of or ought reasonably to be aware of which the insolvent Entity had with the Firm, previous Firm(s) or Network Firm(s) in accordance with the requirements of this standard.

Where an IPA Member in Public Practice is considering accepting an Appointment and has moved Firms in the preceding two years, the Member shall evaluate any relationships that the Member is aware of or ought reasonably to be aware of which the insolvent Entity had with the previous Firm or its Network Firms during the time that the Member was a Partner. Where there were prior relationships, the Member shall disclose the relationships in the *Declaration of Independence, Relevant Relationships and Indemnities*. Where the prior relationships pose significant threats to Independence and there are no safeguards that can eliminate the threats or reduce them to an Acceptable Level, the Member shall decline the Appointment.

If the insolvent Entity is a company, an IPA Member in Public Practice shall not provide Pre-appointment Advice to both the company and its directors in their personal capacity, as the threat to Independence created would be so significant that no safeguard could reduce the threat to an Acceptable Level.

If the insolvent Entity is an individual, and an IPA Member in Public Practice provides Pre-appointment Advice to that individual, the Member shall not provide Pre-appointment Advice to any company controlled by that individual or of which the individual serves as a director or an officer.

An IPA Member in Public Practice shall not accept an Appointment where the Member, the Member's Firm, a Network Firm or their Partners have provided Professional Services to the insolvent Entity or any other Entity which:

- has reasonable potential to lead to litigation claims against the Member or the Member's Firm by a stakeholder of the Administration;
- is material to the Administration; or
- was related to the structuring of assets of the insolvent Entity in order to avoid the consequences of insolvency, even if that advice was provided at a time when the Entity was solvent.

An IPA Member in Public Practice shall provide a *Declaration of Independence, Relevant Relationships and Indemnities* in respect of an Insolvency Service. The Member shall provide the *Declaration* in the first communication to the creditors and table it at the first meeting of the creditors.

An IPA Member in Public Practice shall include the following in the *Declaration of Independence, Relevant Relationships and Indemnities*:

- a statement as to whom the *Declaration of Independence, Relevant Relationships and Indemnities* is being made in respect of;
 - a declaration that the Member has undertaken an evaluation of the significance of any threats to Independence and that the Member determined that the Member is independent for the purpose of accepting the Appointment in accordance with the requirements of the relevant legislation and this Standard;
 - where the *Declaration of Independence, Relevant Relationships and Indemnities*, or similar document, is required by law or where it is not required by law and the Member has obtained consent from the Referring Entity:
 - the name of the Referring Entity;
 - the connection to the insolvent Entity (if applicable) of the Referring Entity; and
 - the Member's reasons for believing the relationship with the Referring Entity does not result in the Member having a conflict of interest or duty;
 - a declaration setting out the circumstances of the Appointment including the number of meetings with the insolvent Entity or its advisors and the period over which Pre-appointment Advice was provided, a summary of the nature of the issues discussed, the amount of any Professional Fees received for the Pre-appointment Advice and the Member's reasons for believing why such Pre-appointment Advice does not result in a conflict of interest or duty;
 - a declaration that no other information or advice beyond that outlined in the *Declaration of Independence, Relevant Relationships and Indemnities*, was provided to the insolvent Entity, directors of the insolvent Entity (if the insolvent Entity is a company) or their advisors;
 - a declaration setting out all relationships the Member, the Member's Firm, a Network Firm or their Partners or those Managerial Employees in the Office in which the Member practises, have had in the preceding two years with:
 - the insolvent Entity;
 - if the insolvent Entity is a company - an Associate of the company;
 - if the insolvent Entity is an individual:
 - an Immediate or Close Family member of the individual;
 - a spouse or dependant of an Immediate or Close Family member of the individual; or
 - any Entity with which the individual or any of the persons noted above are associated;
 - a former Appointee of the insolvent Entity; and
 - a person who has a security over the whole or substantially the whole of the insolvent Entity's property and other assets;
- and the Member's reasons for believing why these relationships, if any, do not result in a conflict of interest or duty;
- a declaration of prior Professional Services provided in the preceding two years to the insolvent Entity by the Member, the Members' Firm, a Network Firm or their Partners, including the nature of the Professional Services, when the Professional Service was provided, the period over which the Professional Service was provided, the Professional Fees paid and the Member's reasons for believing why the Professional Service does not result in a conflict of interest or duty;
 - a declaration that there are no other known prior Professional Services or other relationships that require disclosure; and
 - a declaration of indemnities (other than statutory indemnities) and upfront payments, including the identity of each indemnifier or provider of an upfront payment (name and relationship with the insolvent Entity) and the extent and nature of each indemnity or upfront payment, a statement as

to where the funds are being held, when and how the funds will be applied and that there are no other indemnities or upfront payments to be disclosed.

Where more than one Member in Public Practice is appointed to an insolvent Entity, all Appointees shall sign the *Declaration of Independence, Relevant Relationships and Indemnities* prior to its issue. Where this is not possible and a *Declaration of Independence, Relevant Relationships and Indemnities* is issued before all Appointees sign it, the Members shall:

- Provide an explanation in the *Declaration of Independence, Relevant Relationships and Indemnities* as to why all Appointees were not able to sign it; and
- Sign a replacement *Declaration of Independence, Relevant Relationships and Indemnities* as soon as possible and ensure that it is provided to creditors.

When circumstances or relationships giving rise to a threat to Independence are identified after the commencement of an Administration, an IPA Member in Public Practice shall evaluate that threat and:

- a. continue performing the Administration if the Member determines that the threat would not have precluded the Member from accepting the Appointment had the threat been identified prior to the commencement of the Appointment. The Member shall amend the *Declaration of Independence, Relevant Relationships and Indemnities* and send it to all the creditors; or
- b. where the threat to the Independence of the Member would have precluded the Member from accepting the Appointment had the threat been identified prior to the commencement of the Appointment, the Member shall notify the court, all creditors and the appropriate regulatory authority of the following:
 - the nature of the threat;
 - the key facts and circumstances;
 - reasons why the circumstances or relationships giving rise to the threat were not identified prior to acceptance of the Appointment;
 - the potential impact on the Independence of the Member;
 - the status of the Administration;
 - the costs of ceasing and transferring the Appointment; and
 - Professional Fees and Expenses billed and any outstanding amounts; and
- c. in the circumstances described in the last subparagraph, apply to the court to either continue or resign from the Appointment.

Where an IPA Member in Public Practice becomes aware that the *Declaration of Independence, Relevant Relationships and Indemnities* is out of date or inaccurate, the Member shall update the *Declaration* and provide it to the creditors and the Committee with the next communication and table it at the next meeting of the creditors or the Committee.

Where an IPA Member in Public Practice is requested by an insolvent Entity, its directors or its creditors to consent to an Appointment to replace another person who has commenced the Administration, and the Member intends to agree to the request, the Member shall:

- a. give reasonable notice to the other person being not less than one business day prior to the meeting of creditors, except when the request is received within one business day before that meeting;
- b. not solicit proxies directly or indirectly and shall act, and be seen to act, in the creditors' interests;
- c. provide a *Declaration of Independence, Relevant Relationships and Indemnities* containing the information required by paragraph 4.22 at the meeting where the creditors decide whether to replace the other person;
- d. disclose to the creditors the basis on which the Member proposes to charge Professional Fees; and

- e. provide details of the Member's relationship with the Entity nominating the Member for the Appointment.

Professional Engagement matters

An IPA Member in Public Practice who has accepted an Appointment is not required to provide an engagement document in accordance with APES 305 *Terms of Engagement*.

Dealings with property and other assets

An IPA Firm which provides Insolvency Services shall establish policies and procedures which prohibit the Firm, a Network Firm, their Partners and employees, and the Close and Immediate Families, controlled and associated Entities of the Firm's and Network Firms' Partners and employees from acquiring or deriving a benefit from dealing with any assets including property which comes under the control of a Partner or employee due to an Appointment, without obtaining the prior approval of the court.

An IPA Member in Public Practice shall not purchase property or other assets of an Administration without obtaining prior approval of the court.

An IPA Member in Public Practice shall take all reasonable steps to ensure that the Member does not knowingly sell property or other assets of an Administration to the Member's Firm, a Network Firm, their Partners or employees, or to the Immediate and Close Families, controlled or associated Entities of the Member, the Firm's or Network Firms' Partners and employees without obtaining prior approval of the court.

Expert Witness obligations

An IPA Member in Public Practice who during the course of an Administration acts as an Expert Witness shall comply with APES 215 *Forensic Accounting Services* as if an Appointment is an Engagement.

Professional Fees and Expenses

An IPA Member in Public Practice performing an Administration shall be remunerated for such service by way of Professional Fees in accordance with Section 240 *Fees and other Types of Remuneration* of the Code, subject to the following limitations:

A Member in Public Practice shall not accept an Appointment or perform an Administration that involves:

- a. referral or other commissions, or monetary or non-monetary benefits;
- b. spotter's fees;
- c. understandings or requirements that work in the Administration will be given to a referrer; or
- d. any other such arrangements that restrict the proper exercise of the Member's judgement and duties.

When requested to consent to an Appointment, other than as a Controller or in an Appointment by the court, a Member in Public Practice shall provide to the director(s) of the insolvent Entity or the Insolvent Debtor the following information prior to Appointment:

- The basis of calculating Professional Fees the Member proposes to use in the Administration;
- If the Member proposes to use a time basis, the scale of hourly rates that will be used;
- An explanation that:
 - Professional Fees drawn in the Administration will be those approved by the Approving Body;
 - creditors will be advised of the basis of calculating Professional Fees proposed to the director(s) of the insolvent Entity or the Insolvent Debtor; and

- where the director(s) of the insolvent Entity, Insolvent Debtor or other Entity have paid money towards the cost of the Administration, the amount paid may not satisfy the full costs of the Administration. Professional Fees above that amount of money are subject to approval by the Approving Body and if so approved, may be paid from the assets of the Administration;
- If the Member provides an estimate to the director(s) of the insolvent Entity or the Insolvent Debtor:
 - it shall be in writing clearly detailing any variables which may affect the estimate;
 - the director(s) of the insolvent Entity or the Insolvent Debtor shall be informed that creditors will be advised of the estimate and that the actual Professional Fees drawn in the Administration may exceed that estimate and this higher amount can be approved by the Approving Body; and
 - If the estimate provided to the director(s) of the insolvent Entity or the Insolvent Debtor differs to any subsequent estimate provided to creditors or the actual amount of Professional Fees claimed, the Member shall provide an explanation of the reason for the variance.

Where an IPA Member in Public Practice provides a fixed fee or unconditional quote to the director(s) of the insolvent Entity or the Insolvent Debtor, the Member shall not ask the Approving Body for approval of Professional Fees greater than the fixed fee or unconditional quote.

An IPA Member in Public Practice shall only claim Professional Fees and Expenses in respect of Professional Services performed or to be performed for an Administration which are necessary and proper.

An IPA Member in Public Practice shall claim as Professional Fees, and not as Expenses, any fees for Insolvency Services provided by the Member, the Member's Firm, a Network Firm or a third party to an Administration. Where the Member, the Member's Firm or a Network Firm provides Professional Services, other than Insolvency Services, the fees in respect of those services shall be claimed as Professional Fees.

An IPA Member in Public Practice shall use the Member's commercial judgement, adopting the perspective of, and acting with the same care as, a reasonable person when incurring Expenses for the Administration.

An IPA Member in Public Practice who has accepted an Appointment, other than as a Controller or a Trustee, shall obtain court approval when the Member makes a claim in respect of Professional Fees for any pre-appointment work performed in respect of an Appointment.

An IPA Member in Public Practice who has accepted an Appointment shall not claim as an Expense any disbursements that were incurred prior to the date of Appointment.

An IPA Member in Public Practice shall not enter into an arrangement to receive a Contingent Fee for Insolvency Services if that arrangement:

- impairs the Member's Independence;
- results in the receipt of a Contingent Fee for performing professional work that the Member is required to complete under the relevant legislation governing an Appointment;
- is inconsistent with the fiduciary obligations of the Member; or
- results in the perception that the Member is acting in the Member's interests, rather than in the best interests of the creditors.

In addition, the Member shall consider the following:

- funds available to the Administration;
- funding from alternative sources such as creditors or a litigation funder;
- the costs of the alternative sources of funds in comparison to the Contingent Fee arrangement;
- the risk associated with the tasks to be undertaken for the Contingent Fee; and

- the appropriateness of the amount of the proposed Contingent Fee in relation to the nature of the Administration and the risk associated with the task to be undertaken.

Where an IPA Member in Public Practice enters into an arrangement to receive a Contingent Fee for Insolvency Services, the Member shall obtain approval from the Approving Body prior to commencement of Professional Services after having disclosed the following information:

- details of the arrangement including the nature of the contingency and how achievement of the contingency will be assessed;
- the Member's remuneration in the event the contingency is or is not achieved;
- when the Member's remuneration is expected to be drawn; and
- except in the case of an Appointment as a Controller, why the arrangement to receive a Contingent Fee is in the best interest of the creditors.

An IPA Member in Public Practice who has accepted an Appointment, other than an Appointment as a Controller, shall provide the following information in the first communication to the creditors:

- the methods that may be used to calculate Professional Fees;
- the basis upon which Professional Fees will be charged for the Administration;
- why the Member considers that the chosen method is suitable for the Administration;
- information that details the classes of Expenses that may be charged to the Administration; and
- the basis for recovery of Expenses charged directly by the Firm.

Except in the case of an Appointment as a Controller, where the basis upon which Professional Fees for the Administration is time based an IPA Member in Public Practice shall provide the creditors with the following additional information:

- the scale of rates that will be used; and
- a best estimate of the costs of the Administration to completion, or to a specified milestone.

If subsequent to providing the best estimate of the costs of the Administration there is significant change to that estimate, the Member shall provide a new estimate to the creditors together with an explanation of the variance.

Where an IPA Member in Public Practice has accepted an Appointment, other than as a Controller, and is seeking approval for Professional Fees from the Approving Body, the Member shall provide sufficient information so as to allow the Approving Body to make an informed assessment as to whether the remuneration is reasonable, and shall:

- provide details of how the Professional Fees are computed;
- provide a description of the Professional Services performed, or to be performed, broken down into broad categories, and the costs associated with each category;
- state the terms of the approval sought from the Approving Body;
- advise the total of Professional Fees previously determined and whether the Member will be seeking approval for additional Professional Fees in the future;
- advise when the Professional Fees will be drawn;
- provide details of Expenses paid from the Administration, including:
 - where Expenses are paid for Professional Services that have not been provided by the Firm, who the Expenses were paid to;
 - what the Expenses were for;
 - for Expenses charged directly by the Firm, the basis of calculation of those Expenses;
 - the amount paid;

- the basis of recovery of future Expenses to be charged directly by the Firm; and
- provide a summary of receipts and payments to and from the Administration bank account.

An IPA Member in Public Practice shall only draw Professional Fees once the proper resolution, order, or authority has been obtained from the Approving Body and in accordance with the terms of approval.

Where an IPA Member in Public Practice has entered into a fixed fee arrangement in respect of Professional Fees, the Member shall draw the fixed fee at the conclusion of the Administration or in amounts and at milestones specified by the Approving Body.

Where an IPA Member in Public Practice seeks approval for the payment of prospective Professional Fees from the Approving Body, the Member shall specify the maximum amount of the Professional Fees that may be drawn before requiring further approval from the Approving Body. The Member shall draw on this prospective Professional Fee progressively as the work is completed.

Where an IPA Member in Public Practice has prospective Professional Fees approved, the scale of rates used to draw Professional Fees shall be the scale of rates provided by the Member to the Approving Body at the time of the approval, unless a specific formula to increase the scale of rates was incorporated into the resolution passed by the Approving Body. If a specific formula was not incorporated into the resolution, then the Member shall only change the scale of rates by obtaining further approval from the Approving Body.

Where an IPA Member in Public Practice receives monies prior to acceptance of an Appointment to meet the costs of the proposed Administration, the Member shall ensure:

- a. the monies are held in a bank account that is separately identifiable from the Firm's bank accounts;
- b. there are no conditions on the conduct or outcome of the Administration attached to the monies;
- c. full disclosure is made to creditors in the *Declaration of Independence, Relevant Relationships and Indemnities*;
- d. approval of Professional Fees is obtained prior to them being paid to the Appointee; and
- e. the monies are accounted for as funds of the Administration.

Where an IPA Member in Public Practice has accepted an Appointment, other than as a Controller, and receives money from an Entity, other than from the assets of the insolvent Entity, to meet the costs of the Administration, the Member shall disclose the receipt of this money to the Approving Body and shall obtain approval to apply the money to Professional Fees from the Approving Body.

Documentation and quality control

An IPA Member in Public Practice shall comply with the requirements of APES 320 *Quality Control for Firms* as if an Appointment is an Engagement.

An IPA Member in Public Practice shall prepare working papers in accordance with this Standard that appropriately document the work performed, including aspects of the Insolvency Service that have been provided in writing. The documentation prepared by the Member shall:

- provide a sufficient and appropriate record of the procedures performed for the Insolvency Service;
- identify threats to Independence, and how they have been evaluated and addressed including safeguards applied; and
- demonstrate that the Insolvency Service was carried out in accordance with this Standard and other applicable Professional Standards, including policies and procedures established in accordance with APES 320 *Quality Control for Firms*, and any applicable ethical, legal and regulatory requirements.

An IPA Member in Public Practice shall establish and adhere to documented procedures for each type of Administration that the Member undertakes to guard against not complying with statutory timeframes.

4.8: APES 345 – Reporting on Prospective Financial Information Prepared in connection with a Public Document

Scope and application

The objectives of APES 345 *Reporting on Prospective Financial Information prepared in connection with a Public Document* are to specify a Member in Public Practice's professional and ethical obligations in respect of:

- fundamental responsibilities of the Member who performs a Reporting Service Engagement;
- compliance with applicable Independence requirements;
- consideration of relationships and the provision of other Professional Services that create threats to the Member's ability to comply with the fundamental principles;
- reporting and documentation;
- communication with Those Charged with Governance; and
- the impact of any litigation between the Client or its related entities and the Firm.

Further information on APES 345 can be found at www.apesb.org.au.

4.9: APES 350 – Participation by Members in Public Practice in Due Diligence Committees in connection with a Public Document

The primary objectives of APES 350 *Participation by Members in Public Practice in Due Diligence Committees in connection with a Public Document* are to specify a Member in Public Practice's professional and ethical responsibilities when providing Professional Services to a Client which consist of participating in and/or reporting to a Due Diligence Committee as a DDC Member, DDC Observer or Reporting Person in connection with a Public Document, in respect of:

- fundamental responsibilities;
- the requirements to take reasonable steps to ensure that the Members' responsibilities specified in the Due Diligence Planning Memorandum are consistent with those set out in the Engagement Document; and
- the circumstances in which a Due Diligence Sign-Off, a Materiality Letter or a New Circumstances Statement can be issued, the matters to be included therein and to provide guidance on the form of the reports.

Further information on APES 350 can be found at www.apesb.org.au.

4.10: APES Guidance Notes applicable to all IPA Members (GN 20 series)

4.10.1: GN 20 Scope and Extent of Work for Valuation Services

APES GN 20 provides guidance to assist Members on the application of APES 225 Valuation Services in determining the scope and extent of work that, depending on the particular circumstances, may be appropriate for the three types of Valuation Service defined in section 2 of APES 225.

Further information on GN 20 can be found at www.apesb.org.au.

4.10.2: GN 21 Valuation Services for Financial Reporting

The objective of APES GN 21 *Valuation Services for Financial Reporting* is to provide guidance on the application of APES 225 *Valuation Services* (APES 225) in relation to a Member's professional and ethical obligations in respect of:

- the provision of a Valuation Service for Financial Reporting to a Client or Employer;
- the scope of work to be performed; and
- matters to be disclosed in a Valuation Report.

APES GN 21 provides guidance to assist Members on the application of APES 225 to Valuation Services conducted in respect of financial reporting. This Guidance Note does not prescribe or create any mandatory requirements or consider the requirements of applicable Australian Accounting Standards.

Further information on GN 21 can be found at www.apesb.org.au.

4.11: APES Guidance Notes applicable to IPA Members in Public Practice (GN 30 series)

4.11.1: GN 30 Outsourced Services

The objectives of APES GN 30 *Outsourced Services* are to provide guidance in relation to a Member in Public Practice's professional and ethical obligations in respect of:

- fundamental responsibilities of the Member who provides or utilises an Outsourced Service;
- management of risks associated with the performance or utilisation of Outsourced Services;
- matters to be included in the Outsourcing Agreement pertaining to Outsourced Services;
- management and monitoring of the Outsourced Services; and
- documentation.

APES GN 30 provides guidance or suggestions to assist a Member in Public Practice who is providing or utilising Outsourced Services and does not prescribe or create any new professional requirements.

Further information on GN 30 can be found at www.apesb.org.au.

4.11.2: GN 31 Professional and Ethical Considerations relating to Low Doc Offering Sign-Offs

The objective of APES GN 31 *Professional and Ethical Considerations relating to Low Doc Offering Sign-offs* is to provide guidance on the professional and ethical obligations of a Member in Public Practice in relation to Low Doc Offering Engagements and Low Doc Offering Sign-offs.

APES GN 31 provides guidance to assist Members in Public Practice to determine whether or not it is appropriate to provide a Low Doc Offering Sign-off in relation to a Low Doc Offering Engagement, taking into consideration the applicable requirements of APES 350 *Participation by Members in Public Practice in Due Diligence Committees in connection with a Public Document* (APES 350)¹. This Guidance Note does not prescribe or create any mandatory requirements.

Further information on GN 31 can be found at www.apesb.org.au.