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**Professional Practice**

**(Sole Practitioner)**

**Risk Management Manual v4.0 [Feb-25]**

***Template Instructions***

***1. Review and edit all highlighted text to reflect the needs of your practice.***

***2. Remove highlighting to confirm your Manual is complete and fit for purpose.***

**<Insert Your Practice Name>**

# Overview

This Risk Management Manual (the Manual) is for use by the Institute of Public Accountants (IPA) Professional Practice Certificate (PPC) holders that provide professional services and has been developed by the IPA for use by sole practitioners.

This Manual is made available to PPC holders as a template document only. In adopting this Manual, each PPC holder must consider their specific circumstances and add, remove or amend the relevant text, policies and procedures to ensure that their Risk Management System is accurate, relevant to their practice and up-to-date. The IPA is not liable for any loss, damage, claim or any costs incurred, suffered or occasioned by a PPC holder or any other person doing anything, or refraining to do anything, as a result of anything contained in this Manual.

The IPA provides no guarantee that this Manual contains all relevant content for a PPC holder to comply with the additional requirements in APES 325 *Risk Management for Firms* (APES 325), or any other standards or requirements with which a PPC holder may from time to time be required to comply. A PPC holder using this Manual bears the responsibility of having in place any additional policies and procedures as needed to meet the requirements of the IPA Constitution, By-laws, Pronouncements, Regulations, APESB professional and ethical standards as well as federal and state legislative requirements, such as the *Tax Agents Service Act 2009* (TASA) and the *Corporations Act 2001*.

References to some of the key requirements of APES 325 have been included in the footer of relevant pages of the Manual for ease of reference.

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[***##Template note:*** *The contents page below can be automatically updated using References<Update Table<Update entire table*]

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# Section 1: Objectives of a Risk Management Framework[[1]](#footnote-1)

The objectives of the Practice’s Risk Management Framework are to meet its overarching public interest obligations and the Practice’s objectives by:

* facilitating business continuity;
* enabling quality and ethical professional services to be provided to clients; and
* protecting the reputation and credibility of the Practice.

The quality management policies and procedures developed in this Manual are an integral part of the Practice’s risk management framework and should be read in conjunction with the Practice’s System of Quality Management policies and procedures.

# Section 2: Risk Categories

The Practice has carefully considered risk identification, assessment and monitoring and control processes that are appropriate to the size of the Practice and internal, legal and regulatory requirements. In particular, the following categories of risks have been identified:

1. Governance risks;
2. Business continuity risks (including succession planning);
3. Business risks;
4. Financial risks;
5. Regulatory risks;
6. Technology risks (including cyber security); and
7. Stakeholder risks;

Refer Appendix R1 for the types of risk the Practice has considered as part of the risk identification process.

# Section 3: Overview and Resourcing of Risk Management Framework[[2]](#footnote-2)

As Sole Practitioner of the Practice, I take ultimate responsibility for the Practice’s Risk Management Framework.

To maintain and improve this Risk Management Framework, the Practice refers to the following resources:

* *AS ISO 31000:2018 Risk Management – Guidelines* which provides useful guidance to develop and maintain a framework for Risk Management; and
* IFAC Small and Medium Practices Committee – *Guide to Practice Management for Small and Medium Sized Practices:* Module 7: *Risk Management* and Module 8: *Succession Planning*.
* <***insert any other resources your Practice has referenced>***

The Practice’s Risk Management Framework is evaluated annually and monitored throughout the year. The Practice’s aim is to ensure identified risks remain relevant, adequate and contribute to an overall effective risk management framework that is able to identify non-compliances for appropriate and timely treatment. The Practice’s risk management policies and procedures are documented and made available to all staff at all times. Changes to risk management policies and procedures are communicated and discussed as part of continuing professional development activities. Instances of non-compliance with the Practice’s risk management policies and procedures are brought to my attention and are appropriately documented and addressed on a timely basis.

An illustration of the Practice’s iterative risk management framework is as follows:

# Section 4: Likelihood & Consequence of Occurrence, Risk Matrix and Control Assessment

Each risk event identified is assessed for likelihood of occurrence, consequence of occurrence and is then categorised for potential treatment using a risk rating matrix. Reassessments of each risk event is undertaken annually using a control effectiveness rating.

**Likelihood of Occurrence**

The matrix below sets out the probability of risks occurring on a scale from 1-3 with the likelihood of the occurrence of risks expressed as a percentage between 0% and 100%.

|  |  |  |  |
| --- | --- | --- | --- |
| **Likelihood**  **Rating** | **Description** | **Definition** | **Indicative Frequency** |
| 3 | Likely  (>50%) | The risk event has occurred several times or more since establishment of the practice or has occurred for similar practices. | Every 1-2 years. |
| 2 | Possible  (10-50%) | It is possible the risk event will occur. | Every 2-5 years. |
| 1 | Unlikely  (<10%) | It is unlikely the risk event will occur | Every 5 years. |

**Consequence of Occurrence**

The matrix sets out the potential outcome of a risk event that affects the Practice’s business objectives, assuming the event has occurred where the most probable consequence has resulted rather than the worst-case scenario.

|  |  |
| --- | --- |
| **Consequence**  **Rating** | **Description of impact** |
| 3 | Could have a material impact on the Practice and may impede achievement of key business objectives |
| 2 | Could have a noticeable impact on the Practice and in achieving some business objectives |
| 1 | Impact is easily remedied or not visible |

**Risk Matrix**

The Risk Matrix below assigns a ranking to each risk after considering its likelihood and the consequences of its occurrence.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | **Consequence** | | |
|  |  | **1** | **2** | **3** |
| **Likelihood** | **3** | Medium (3) | High (6) | High (9) |
| **2** | Low (2) | Medium (4) | High (6) |
| **1** | Low (1) | Low (2) | Medium (3) |

**Risk Rating score is a product of Consequence x Likelihood**

For example, Consequence (2) x Likelihood (3) = High (6)

Description of risk levels

|  |  |
| --- | --- |
| **Risk Level** | **Description** |
| Low | Treatment when resources are available. The risk should be able to be managed via existing controls and normal operating procedures. |
| 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. |
| High | Action plans and resources required. The level of risk is likely to endanger capability and should be reduced through mitigation strategies where possible. |

**Control Assessment**

The Control Effectiveness Rating below assesses the efficacy of any action or activity that the Practice has in place that either reduces the likelihood of a risk event occurring or minimises the potential for impact arising from that event. Reassessments of each risk event is undertaken annually using a control effectiveness rating.

|  |  |  |  |
| --- | --- | --- | --- |
| **Control Effectiveness Rating** | **Descriptor** | **Definition** | **Action Required** |
| 1 | Low | Significant control deficiencies have been identified. | Significant improvement opportunity. |
| 2 | Medium | Some deficiencies in the control have been identified, however there are compensating controls to cover identified faults. | Moderate improvement opportunity. |
| 3 | High | Control operating effectively, no deficiencies noted. | None – existing controls are effective. |

# Section 5: Practice Risk Register

|  |
| --- |
| IPA Guidance Note  This section provides a Practice Risk Register that aligns with the 7 risk categories identified in section 2.  Review and amend each of the following examples (R0001 to R008) to ensure they are relevant to your Practice.  The examples provided are some common types of risks many practitioners will encounter. Replace examples if they are not relevant to your Practice. It is expected that:   * some practitioners will need to add other risks that are particularly relevant to their Practice. * there should be at least one risk identified from each of the risk categories identified in section 2.   Appendix R1 provides examples of types of risks that fall within each of the identified risk categories.  Please note that paragraph 6.6 of APES 325 requires all practices to document its succession plan as part of its risk management framework. This is a mandatory requirement. An example is provided in Risk Number R0001 below.  For further guidance in developing your risk register with relevant responses refer: IFAC Small and Medium Practices Committee – Guide to Practice Management for Small and Medium Sized Practices: Module 7: Risk Management and Module 8: Succession Planning. |

The Practice’s Risk Register is represented by a collation of the following risk tables.

|  |  |  |
| --- | --- | --- |
| **Risk Number – R0001** | Last Review: [date] | Next Review: [date] |
|  | Date Identified: [date] | Raised by: [Insert name & title] |
| Name of risk | **Succession Planning** | |
| Risk category | **Business Continuity** | |
| Description of risk | The Practice consists of a Sole Practitioner. The Sole Practitioner is approaching retirement age (being 59 years of age) and is the only person in the Practice holding statutory registrations (registered tax practitioner and registered company auditor). | |
| Potential impact of risk on the practice | Potential significant impact on optimising Practice net worth, including significant established client base, reputation of providing quality client services, practice goodwill and position within the community. | |
| Consequence of occurrence  Likelihood of occurrence  **Overall Risk Rating** | 3  2  **High 6** | |
| Risk Owner | [insert title and name] | |
| Risk tools and treatment plan | (1) Existing Practice Succession Plan: Reciprocal contingency arrangements in place with 2 similar sized practitioners to assist the Practice in the event absence of key personnel (Sole Practitioner).  (2) Negotiations in progress to transform the Sole Practitioner practice into a partnership with 2 additional qualified practitioners with the view to enabling the Sole Practitioner to scale down working hours and fully retire within 3 years.  (3) Ensuring regular review and update of the Practice Succession Plan | |
| Person who conducted the last risk review | [insert title and name] | |

|  |  |  |
| --- | --- | --- |
| **Risk Number – R0002** | Last Review: [date] | Next Review: [date] |
|  | Date Identified: [date] | Raised by: [Insert name & title] |
| Name of risk | **Professional Standards Non-Compliance** | |
| Risk category | **Governance** | |
| Description of risk | Keeping up-to-date with changing professional standards and related legislative requirements. | |
| Potential impact of risk on the practice | Moderate risk that professional services provided to clients may be technically deficient or not delivered to the service standard expected by professional standards issued by APESB and IPA. | |
| Consequence of occurrence  Likelihood of occurrence  **Overall Risk Rating** | 2  2  **Medium 4** | |
| Risk Owner | [insert title and name] | |
| Risk tools and treatment plan | (1) Regular attendance at relevant training courses in compliance with IPA Pronouncement 7.  (2) Ensuring practice management software is kept up-to-date.  (3) Subscription to technical newsletters issued by <IPA, ATO, TPB, ASIC>.  (4) Participation at IPA Discussion Groups. | |
| Person who conducted the last risk review | [insert title and name] | |

|  |  |  |
| --- | --- | --- |
| **Risk Number – R0003** | Last Review: [date] | Next Review: [date] |
|  | Date Identified: [date] | Raised by: [Insert name & title] |
| Name of risk | **Damage to premises rendering office unusable** | |
| Risk category | **Business Continuity Risk (Premises)** | |
| Description of risk | The Practice is located on a physical premises from which tax [and/or other services] are provided.  The risk is in relation to the premises no longer being usable by the Practice and therefore services can no longer be provided to clients. | |
| Potential impact of risk on the practice | The services provided by the Practice may rely upon the physical premises, for example, client files and/or the resources of the Practice (eg computers, laptops or soft copies of documents) may be stored there, or foot traffic to the physical premises may drive client engagement to the Practice.  If the premises is no longer usable, client files and/or the Practice’s resources may be lost or damaged and this may affect the Practice’s quality of services delivered to clients. The Practice may also suffer a reduction to revenue streams if the physical premises drove client engagement (eg by way of foot traffic) to the Practice. | |
| Consequence of occurrence  Likelihood of occurrence  **Overall Risk Rating** | 3  1  **Medium 3** | |
| Risk Owner | [insert title and name] | |
| Risk tools and treatment plan | (1) Client files and the Practice’s resources should be backed up on Cloud-based services.  (2) Personal resources such as computers, laptops or soft copy documents should not be left in the Practice’s physical premises on a permanent basis.  (3) The Practice should also ensure it is able to engage and communicate with clients electronically rather than strictly by foot traffic to the premises. | |
| Person who conducted the last risk review | [insert title and name] | |

|  |  |  |
| --- | --- | --- |
| **Risk Number – R0004** | Last Review: [date] | Next Review: [date] |
|  | Date Identified: [date] | Raised by: [Insert name & title] |
| Name of risk | **Failure to identify new revenue streams** | |
| Risk category | **Business Risk** | |
| Description of risk | The Practice may fail to identify changes in the demand for professional services (eg tax services) in the market which, if the Practice was able to adapt the services it provided to fill this demand, could generate new revenue streams for the Practice. | |
| Potential impact of risk on the practice | Where the Practice fails to identify new revenue streams (eg by identifying different ways by which it can provide its services to clients), the services provided by the Practice may become outdated, inappropriate or demand for these services may diminish over time.  The long-term sustainability of the Practice may be jeopardised if there is a failure to identify new revenue streams of the business. | |
| Consequence of occurrence  Likelihood of occurrence  **Overall Risk Rating** | 3  2  **High 6** | |
| Risk Owner | [insert title and name] | |
| Risk tools and treatment plan | (1) Engage with industry partners/organisations who provide information on latest trends/future predictions as to where the market may be heading to ensure the firm understands new opportunities that may be possibilities for the firm.  (2) Continued staff development and training on latest services and industry practices.  (3) Facilitate a culture and process for new ideas to be shared to relevant managers/senior staff. | |
| Person who conducted the last risk review | [insert title and name] | |

|  |  |  |
| --- | --- | --- |
| **Risk Number – R0005** | Last Review: [date] | Next Review: [date] |
|  | Date Identified: [date] | Raised by: [Insert name & title] |
| Name of risk | **Poor financial management** | |
| Risk category | **Financial Risk** | |
| Description of risk | Failure to properly calculate costs of services offered, or total revenue to be generated from operations. This may occur due to a lack of control of the timeliness for receipt of relevant accounting information, or a lack of continued assessment and verification (either internal or third party) as to costs and revenue projections. | |
| Potential impact of risk on the practice | Clients may receive incorrect quotations for services to be provided by the Practice, and the Practice’s revenue and business cost forecasts could become inaccurate leading to poorly managed finances within the organisation.  If the Practice is not financially efficient in their operation, this could hinder the future growth of the Practice. | |
| Consequence of occurrence  Likelihood of occurrence  **Overall Risk Rating** | 3  1  **Medium 3** | |
| Risk Owner | [insert title and name] | |
| Risk tools and treatment plan | 1. Continual monitoring and review of discrepancy between forecast and realised returns/costs to ensure the minimal amount of variation possible, and any variation found is accounted for.   (2) Ensuring costs/revenues are consistent with relevant market sectors, if they are not, understanding why/seeking alternatives. | |
| Person who conducted the last risk review | [insert title and name] | |

|  |  |  |
| --- | --- | --- |
| **Risk Number – R0006** | Last Review: [date] | Next Review: [date] |
|  | Date Identified: [date] | Raised by: Insert name & title |
| Name of risk | **Changes in regulatory regime** | |
| Risk category | **Regulatory Risk** | |
| Description of risk | Regulatory and legislative requirements (eg tax regulations, *Corporations Act 2001*/ASIC requirements, AML-CTF requirements, accounting/auditing standards, professional standards for accounting firms, etc.) are subject to change over time. | |
| Potential impact of risk on the practice | If the Practice is not aware of these changes, this could lead to the Practice providing services in a manner that is inconsistent with regulatory and/or legislative requirements.  This may lead to poor outcomes for clients, or reputational damage if the Practice is seen to  Potential of incorrect advice, incorrect procedures which leads to poor outcomes for clients. If poor outcomes for client’s occur, a loss of clients is likely which will have a negative impact on cash flows and revenue streams in the short and long term as the firm’s reputation is hurt. | |
| Consequence of occurrence  Likelihood of occurrence  **Overall Risk Rating** | 3  1  **Medium 3** | |
| Risk Owner | [insert name and title] | |
| Risk tools and treatment plan | (1) Maintain relationships with regulatory bodies to ensure consideration and information is as up-to-date as possible Practice Succession Plan.  (2) Appoint qualified personnel to make ongoing monitoring of the regulatory environment a specified role.  (3) Maintain CPD in accordance with the IPA Pronouncement 7 to maintain currency of regulatory requirements. | |
| Person who conducted the last risk review | [insert name and title] | |

|  |  |  |
| --- | --- | --- |
| **Risk Number – R0007** | Last Review: [date] | Next Review: [date] |
|  | Date Identified: [date] | Raised by: Insert name & title |
| Name of risk | **Cyber protection inadequate** | |
| Risk category | **Technology Risk (Cyber)** | |
| Description of risk | The Practice could be the victim of a cyberattack which could impact any or all of the Practice’s technological resources (eg access to electronic records, including client files, documents or sensitive documents relating to the Practice). A cyberattack could mean any electronic records kept by the Practice, including client files which may include sensitive information, are accessed by hackers. | |
| Potential impact of risk on the practice | This could have significant material impacts on the Practice as the Practice stores most, if not all, records in electronic form on hard drives and otherwise relies upon Cloud-based services to back-up client data and other important documentation. A cyberattack could mean all of these files are accessed or ransomed causing loss to the business, as well as potentially causing loss to clients due to the unauthorised use and/or disclosure of personal information.  Furthermore, disclosure of a data breach to clients may cause reputational damage to the Practice. | |
| Consequence of occurrence  Likelihood of occurrence  **Overall Risk Rating** | 3  2  **High 6** | |
| Risk Owner | [insert name and title] | |
| Risk tools and treatment plan | (1) Regular training provided to all staff on identifying phishing emails, spam emails or other communications and other means by which cyberattacks generally occur;  (2) Having in email protection software that automatically screens phishing emails or other unusual email activity;  (3) Reducing use and reliance on external storage devices such as USBs which can be lost or stolen;  (4) Having in place information security, use of IT and mobile device usage policies in place; and  (5) Reviewing the Practice’s policies on retaining client information and ensuring client information is not stored if the information is no longer needed. | |
| Person who conducted the last risk review | [insert name and title] | |

|  |  |  |
| --- | --- | --- |
| **Risk Number – R0008** | Last Review: [date] | Next Review: [date] |
|  | Date Identified: [date] | Raised by: Insert name & title |
| Name of risk | **Poor advertising of services** | |
| Risk category | **Stakeholder Risk** | |
| Description of risk | Clients are unaware of services that the Practice offers or may be unaware of updates to the services that the Practice offers to clients.  There may be comparable practices that advertise their services more effectively. | |
| Potential impact of risk on the practice | There may be demand in the market for services that the Practice has the capability and resources to provide but clients may not be aware that the Practice can fill that demand due to poor advertising. The services the Practice provides to clients may stagnate or become outdated and this may impact the long-term sustainability of the Practice.  The Practice may lose out in competition to other comparable practices that advertise their services more effectively. | |
| Consequence of occurrence  Likelihood of occurrence  **Overall Risk Rating** | 2  2  **Medium 4** | |
| Risk Owner | [insert name and title] | |
| Risk tools and treatment plan | (1) Consistent updates of recent works published to various sources (news sites, websites)  (2) Attendance and involvements in industry matters - networking/meeting with stakeholders/client management meetings.  (3) Specific staff charged with reporting internally within client groups regarding the services provided by the Practice, as well as externally to potential client groups.  (4) Maintain CPD in accordance with the IPA Pronouncement 7 to maintain currency of the regulator requirements, accounting marketplace and consumer demands. | |
| Person who conducted the last risk review | [insert name and title] | |

### **Appendix R1 Types of Risk**

|  |
| --- |
| IPA Guidance Note |
| There are many different types of risks your practice can be exposed to. |
|  |
| The table below presents a non-exhaustive list of some common risks, some of which could belong to a combination of risks categories. |
|  |
| There are likely to be particular risks not identified below which are more relevant to your practice. |
|  |
| Regularly review, amend and add to each of the following examples as necessary to ensure they are accurate and reflect the types of risks relevant to your practice. |

The Practice has identified the following risks using the risk categories identified in section 2:[[3]](#footnote-3)

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Governance** | **Business Continuity** | **Business** | **Financial** | **Regulatory** | **Technology** | **Human Resources** | **Stakeholder** |
| Poor practice management | Loss of skilled staff | Failure to diversity revenue streams | Poor financial management | Legislation non-compliance | Cyber protection inadequate | Loss of skilled staff | Poor social media exposure |
| Failure to recognise changing markets | Damage to premises rendering office unusable | Failure to identify new revenue streams | Slow collection of debtors | Prof Stds non-compliance | Compromised client data base | Staff inadequately trained | Poor client reputation due to poor client work |
| Disunited Partners | Compromised administrative systems | Poor quality control of work outputs | Supply chain cost increases not managed | Loss of Statutory registrations | Outdated hardware and unreliability | Poor work supervision | Poor advertising of services |
| Prof Stds non-compliance | Staff resignation and taken clients | Outdated client pricing structure | Insurance cover too low | Not keeping abreast of regulatory changes | Software not delivering required information | OH+S non-compliances | Practice location incorrect for the type of client services |
|  | Health failure of key personal | Internal conflict of interest | Unexpected financial pressures | Changes in regulations |  | Poor staff recruitment methods |  |
|  | Damage to client records | Incorrect insurance | Interest rate rises |  |  |  |  |
|  | **Succession Planning** (Retirement) | Staff fraud |  |  |  |  |  |
|  |  | Poor quality |  |  |  |  |  |

All risks identified are addressed in the Practice’s Risk Register (section 5).

1. Reference: APES 325 *Risk Management for Firms:*

   4.1. 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.

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

   (a) Governance Risks;

   (b) Business continuity Risks (including succession planning);

   (c) Business Risks;

   (d) Financial Risks;

   (e) Regulatory Risks;

   (f) Technology Risks (including cyber security);

   (g) Human Resources Risks; and

   (h) Stakeholder Risks.

   Additional Risks specific to the Firm can be identified through the use of other relevant standards or guidance. Firms shall comply with Section 360 *Responding to Non-Compliance with Laws and Regulations* of the Code. [↑](#footnote-ref-1)
2. Reference: APES 325 *Risk Management for Firms:*

   4.4 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.

   4.6. A Firm shall ensure that the Personnel assigned responsibility for establishing and maintaining its Risk Management Framework in accordance with this Standard have the necessary skills, experience, commitment and authority.

   5.1. 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.

   5.2 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.

   6.1 A Firm shall document its Risk Management Framework. [↑](#footnote-ref-2)
3. Reference: APES 325 *Risk Management for Firms:*

   4.7 Firms may refer to the following documents for guidance:

   * + *AS/NZS ISO 31000:2009 Risk Management - Principles and guidelines* which provides useful guidance to develop a framework for Risk Management; and
     + For sole practitioners and small Firms, Module 7: Risk Management and Module 8: Succession Planning in the *Guide to Practice Management for Small- and Medium-Sized Practices* issued by the Small and Medium Practices Committee of the International Federation of Accountants.

   6.6 A Firm shall document its succession plan as part of its Risk Management Framework.

   6.7 The succession plan should include specific actions the Firm will undertake in order to enable the Firm to continue performing its professional obligations to its Clients.

   6.8 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.

   6.9 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. [↑](#footnote-ref-3)