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**Professional Practice Quality Management & Risk Management Manual v3.1 [Aug-24]**

***<Template Note: You should edit all highlighted text in this document to suit your practice, and then remove highlighting to ensure this template is appropriate and fit for practical use>***

**<Insert Your Practice Name>**

# Overview

This Quality Management & Risk Management Manual template is for use by the Institute of Public Accountants (“**IPA**”) Professional Practice Certificate (“**PPC**”) holders that provide non-assurance services and has been developed by the IPA for use by sole practitioners and small practices. Although this Manual has been developed mostly for practices that provide tax engagement services, the Manual can be adapted and used by practitioners who provide other non-assurance accounting services.

This Manual has been distributed to each practitioner and practice as a template document only. In applying this Manual, each practitioner and practice must consider their specific circumstances and add, remove or otherwise amend the relevant text, policies and procedures to ensure that their System of Quality Management 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.

PPC holders that provide a broad range of non-assurance engagement services and/or employ staff or consultants must consider the additional requirements in:

* APES 320 *Quality Management for Firms that provide Non-Assurance Services* (**APES 320**); and
* APES 325 *Risk Management for Firms* (**APES 325**),

and incorporate these requirements into this Manual.

The IPA provides no guarantee that the template Manual contains all relevant text for a PPC holder to comply with the additional requirements in APES 320, 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).

PPC holders that provide audit/assurance engagement services must also consider the following pronouncements issued by the Australian Auditing and Assurance Standards Board: ASA 220 *Quality Management for an Audit of a Financial Report and Other Historical Information*, ASQM 1 *Quality Management for Firms that Perform Audits or Reviews of Financial Reports and Other Financial Information, or Other Assurance or Related Service Engagements*, and ASQM 2 *Engagement Quality Reviews*.

References to the requirements in APES 320 and APES 325 have been included in the footer of each subsection 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: Practice Details – Philosophy, Objectives, Structure, Systems[[1]](#footnote-1)

## 1.1 Philosophy

To offer the best service possible to clients, through compliance with professional and ethical standards, applicable legal and regulatory requirements and by using appropriate skills and expertise.

## 1.2 Objectives

As a practice, we aim to:

* professionally serve clients and the accounting profession as a Member of the IPA,
* provide quality [***##please provide a brief description of the services you provide to clients, for example, tax***] services to clients,
* achieve excellent client service standards through maintaining the highest level of integrity, competence and independence,
* maintain confidentiality at all times,
* avoid any conduct that may undermine public trust or confidence or may discredit the accounting profession, and
* uphold and promote the requirements of APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code), and
* members that hold a current statutory registration must comply with all relevant legislation, regulations and other requirements, including but not limited to the *Tax Agent Services Act 2009* *Code of Professional Conduct* (TASA Code)*.*

## 1.3 Structure

[***##Option 1: where you operate your practice as a sole practitioner***]

The practice consists of a sole practitioner with one part time administrator (**Practice**).

[***##Option 2: where you operate your practice in a partnership with other practitioners***]

The practice consists of [***##insert number of partners***] operating within a partnership structure with [***## insert number of support staff***] support staff (**Practice**).

[***##End of options***]

The Practice provides the following services:

* [***##sample wording only***]tax engagement services which include the periodic preparation and lodgment of BAS and tax returns for individuals, family trusts, partnerships and small private companies;
* [***##please insert any other services you provide and a brief description of these services***].

The Practice is conducted from one office and is a general practice consisting of the following types of clients:

* individuals;
* small personal services businesses;
* retail businesses;
* [***##please insert any other types of clients you may have, for example high net wealth individuals or SMSFs***]

# Section 2: Firm’s responsibilities for a System of Quality Management[[2]](#footnote-2)

## 2.1 Policy

[The sole practitioner / the partners] comprising the Practice understand(s) they bear ultimate responsibility for the quality management system and related policies and procedures that are documented within this Manual.

From time to time the contents of this Manual are reviewed to ensure that it remains relevant to the needs of the Practice and its clients.

Although the Practice’s services consist entirely of professional services, all administration and support staff are provided with a copy of this Manual on induction or when it is updated. The Practice’s administration and support staff are expected to have a general understanding of the contents of this Manual although not all the requirements are applicable to their role.

# Section 3: Professional Standards

## 3.1 Policies[[3]](#footnote-3)

[The sole practitioner / the partners] will comply with all relevant ethical requirements in the conduct of the Practice, including:

* acting with integrity;
* maintaining objectivity;
* exercising professional competence and due care;
* respecting and maintaining confidentiality for all clients, including government clients; and
* ensuring [my/our] professional behaviour is compliant with relevant laws and regulations and does not discredit the profession or the IPA.

## 3.1.1 Independence

[The sole practitioner / the partners] of the Practice recognise the importance of maintaining independence and in identifying and mitigating the occurrence of conflicts of interests. The Practice recognises that potential conflicts of interest can arise from time to time, particularly when personal and/or business relationships change. In such circumstances the Practice understands that it will need to re-assess its ability to continue to provide services to either or both parties that have previously been clients of the Practice. All potential and actual conflicts of interest need to be identified, assessed, documented and disclosed. Potential conflicts of interest can be managed but must be disclosed to the client(s) and their agreement to continue with the engagement should be obtained in writing.

## 3.2 Procedures

When faced with any compliance threats the Practice will refer to the Code and the TASA Code to determine if it is possible to put in place any safeguards. If further guidance and support is required the Practice will consult the IPA.

## 3.2.1 Independence

In addition to the above stated policy, the Practice uses an Independence and Declaration Checklist (refer **Appendix A1**) to guide and assist my/our approach to considering any potential independence issues that may arise from time-to-time.

# Section 4: Acceptance and continuance of Client relationships[[4]](#footnote-4)

## 4.1 Policy

The Practice will only accept or continue to provide services where the Practice:

* has the competence, capabilities, resources and time to adequately perform the engagement;
* has considered the integrity of the client and have concluded that there is no information to indicate that the client lacks integrity; and
* can comply with all relevant professional and ethical requirements.

The Practice will disclose in writing to clients and prospective clients any matter the practice considers could *significantly* influence the decision of the clients or prospective clients to engage the Practice. This disclosure will be made within 30 days of the Practice becoming aware of such a matter.

The Practice will inform clients and prospective clients that the Tax Practitioners Board (TPB) maintains a public register of tax agents and BAS agents, which can be used to determine registration.

## 4.2 Procedures

## 4.2.1 New Clients

## 4.2.1.1 Assessing competence, capabilities, and resources

The Practice assesses its ability to undertake engagements by:

* interviewing all clients to ensure a clear understanding of the engagement required;
* considering if the Practice (through [its sole practitioner / the partners]) have sufficient knowledge, competence and capabilities to manage all issues relating to the engagement;
* determining if there are any issues that require any specific skills or knowledge in order to provide a quality service to the client;
* considering if there are sufficient resources and time to undertake the engagement in a timely manner and to meet lodgment deadlines (for tax engagements).

The Practice uses a Client Screening Form to assist with the above assessment (refer **Appendix A2**). Once a client has been accepted a New Client Form (refer **Appendix A3**) is completed.

## 4.2.1.2 Assessing client integrity

Matters that the Practice considers prior to accepting a client engagement include:

* the identity of the client ensuring this can be verified by legal documentation;
* where relevant, the business reputation of the client’s principal owners, key management and any known related parties;
* the nature of the client’s business operations, including its business practices;
* the attitude of the client towards regulatory compliance;
* whether the client displays an aggressive approach to keeping my fees as low as possible;
* signs of inappropriate limits to the scope of the engagement including the client’s inability to provide appropriate documentation or supporting evidence required for the preparation and lodgment of BAS/tax returns accurately and in compliance with lodgment requirements;
* the client’s reasons for seeking to appoint [me/us] and for leaving their previous accountant;
* whether acceptance of the client would create any threats to my/our independence that cannot be reduced to an acceptable level by putting adequate safeguards in place; and
* whether acceptance of the client would create any threats to the professional and ethical requirements of the Code that cannot be reduced to an acceptable level by putting adequate safeguards in place; and
* signs of client involvement in money laundering or any type of criminal activity.

The Practice use the following templates to assist with the above assessment:

* Client Screening Form (refer **Appendix A2**);
* New Client Form (refer **Appendix A3**);
* Client Retention Checklist (refer **Appendix A4**);
* Ethical clearance letter – refer <https://www.publicaccountants.org.au/resources/templates>.

## 4.2.2 Existing Clients

## 4.2.2.1 Further assessment of client integrity

For existing clients, the Practice reviews if there have been any significant changes to the information previously considered. If any new information comes to hand, the Practice will consider if the impact of the change(s) is likely to impact on:

* the Practice’s ability to continue to provide tax or other engagement services to the client;
* the professional and legal responsibilities of the Practice’s [sole practitioner / partners] to report suspected money laundering or other criminal activities to the appropriate regulatory authority; and
* whether the Practice should withdraw from the engagement.

the Practice uses the following template to assist with the above assessment:

* Client Retention Checklist (refer **Appendix A4**).

## 4.3 Engagement Letters

The Practice refers to IPA’s engagement letter templates for engagements (refer <https://www.publicaccountants.org.au/resources/templates>), which we adapt to ensure these documents are fit for use in our practice.

## 4.4 Disengagement Letter

The Practice refers to IPA’s disengagement letter template when ceasing to provide an engagement service (refer <https://www.publicaccountants.org.au/resources/templates>), which we adapt to ensure these documents are fit for use in our practice.

# Section 5: Resources[[5]](#footnote-5)

## 5.1 Statement of practice

Human Resources

The Practice consists of a [sole practitioner / [***##insert number of partners***] and [***##insert number of professional staff, or state ‘no’***] professional staff are engaged to work directly on any [***##insert type of services provided, eg tax***] engagements.

The Practice is supported by [***##insert number of part-time administrators***]part-time administrator(s).

[***##Indicative wording of HR processes below. Please review and amend as necessary to ensure it is accurate and reflects the HR processes at your practice***]

The Practice manages any recruitment processes personally or within the firm. The process requires consideration of written applications and a face-to-face interview.

Upon appointment of new staff, an induction process is completed, which includes an introduction to the practice’s systems, requirements and expectations. Staff are provided with a copy of this Manual on induction and whenever this Manual is updated.

Ongoing feedback is provided to staff about their performance and to gain an understanding of any improvement areas for the general operations of the practice. A formal performance review of staff is conducted annually.

[***##end indicative wording of HR processes***]

Technology Resources

The Practice uses [***##insert name of software***]software for all the Practice’s general business requirements, including the monitoring of the Practice’s system of quality management.

In addition, the Practice uses:

* [***##insert name of software used***] for the preparation and lodgment of client BAS / tax returns and for retaining and maintaining engagement documentation;
* [***##insert name of software used***] for recording time, and to track personnel’s time off; and
* [***##insert name of software used***] for independence monitoring and client acceptance and continuance.

Intellectual Resources

Where required, the Practice refers to materials issued by the APESB and IPA as a guide and to assist in discharging the Practice’s obligation to comply with the professional standards and related requirements.

Service Providers

The Practice [does/does not] contract with third party service providers.

# Section 6: Engagement Performance[[6]](#footnote-6)

## 6.1 Procedures

The Practice has regard to a number of external materials, including:

* IPA tax return checklists (refer <https://www.publicaccountants.org.au/resources/templates>); and
* [***## insert any other authoritative tax references*** ***referred to by the Practice***],

as base templates to guide the formulation of resources specific to the Practice.

[***##Indicative wording of how the IPA tax return checklists may be used below. Please review and amend as necessary to ensure it is accurate and reflects your processes at your practice***]

For example, the Practice uses the IPA tax return checklists as a base document from which to develop checklists specific to the Practice which are used to ensure that every source of income and detail of expenditure is appropriately captured and entered into each client return. Clients are reminded annually that they are required to keep all documentation relating to their tax affairs for five years from the date their tax documents are lodged with the ATO. The Practice retains a copy of client records for at least 5 years after a tax engagement service has been provided in accordance with TASA Code requirements, including:

* the nature, scope and outcome of the tax agent service provided; and
* all relevant information considered in the provision of the tax agent service (including information exchanged with the client, advice provided to the client.

For complex tax returns, the Practice prepares and retains a copy of client records for at least 5 years after a tax engagement service has been provided in accordance with TASA Code requirements. This copy includes:

* the nature, scope and outcome of the tax agent service provided; and
* all relevant information considered in the provision of the tax agent service (including information exchanged with the client, advice provided to the client, and the relevant facts, assumptions and reasoning underpinning any advice provided to the client.

For work scheduling, the Practice maintains a master tax client list and a list of all clients that are subject to the ATO Lodgment Program. ATO Lodgment Performance reports are reviewed for ATO lodgment dates and to monitor compliance with the 85% ATO lodgment performance benchmark.

[***##end indicative wording of processes***]

# Section 7: Engagement Documentation[[7]](#footnote-7)

## 7.1 Statement of Practice

Once a client has authorised lodgment of their BAS / tax return, the return is lodged with the ATO and a copy of the return is provided to the client and the client’s source documents are returned to the client.

[***##Indicative wording of how your practice may retain engagement documentation below. Please review and amend as necessary to ensure it is accurate and reflects your processes at your practice***]

Engagement documentation relating to straight forward client returns is generally not retained by the Practice. Prior returns are available for a period of time in tax software used by the Practice. However, from time to time software is updated and access to prior returns may not be readily accessed. Clients are reminded annually that they are required to keep all documentation relating to their tax affairs for five years from the date their tax documents are lodged with the ATO.

Engagement documentation relating to complex tax returns (as outlined in section 6.1) is retained for five years from the date that the client tax return is lodged with the ATO. Hard copy documents are scanned on the date of lodgment and the scanned files are securely stored on computer hard drive and backed up to the Cloud daily with a further back-up to an external hard drive on a fortnightly basis.

[***##end indicative wording of processes***]

# Section 8: Monitoring and remediation[[8]](#footnote-8)

## 8.1 Procedures

Monitoring is achieved by:

* reviewing a sample of completed [***##insert type of services provided or engagements accepted, eg tax***] engagements annually (this includes reviewing at least one completed engagement, or one type of completed engagement, for each engagement partner by a person not involved in the engagement);
* identifying any indications of non-compliance with this Manual; and
* implementing any changes to this Manual and related systems deemed necessary.

Information on potential improvements that can be made to the Practice’s system of quality management can originate from multiple sources including:

* feedback from IPA Quality Assurance reviews;
* participation in one of the IPA’s Discussion Groups;
* participation at professional development conferences, congresses and seminars;
* webinars and on-line professional development events;
* technical and professional reading;
* research of technical issues;
* periodic consideration of hardware, software and other technology upgrades and developments; and
* handling of complaints received.

# Section 9: Complaints[[9]](#footnote-9)

## 9.1 Procedures

All clients and prospective clients are informed about this Practice complaints system and the Institute of Public Accountants (IPA) complaints system. These systems are available for clients and consumers to use.

The practice complaints system can be accessed at <<name>>.

The IPA’s complaints system can be accessed via the following link: [Complaints and Disciplinary Action (publicaccountants.org.au)](https://www.publicaccountants.org.au/about/complaint-investigation) or phone 03-8665-3100.

Complaints are taken seriously and are acknowledged with the client with a prompt resolution being sought. Clients are kept informed as to the progress of resolution of their complaint.

All complaints are documented in a Client Complaint Form (refer **Appendix A5**).

Generally, the steps taken to resolve a complaint are:

* listen carefully and with empathy to what the client has to say;
* ask relevant questions to gather all necessary information;
* consider potential options for resolution of the complaint, including options preferred by the client;
* if necessary, apologise without blaming;
* if required, seek assistance/guidance from IPA;
* resolve the complaint effectively and efficiently;
* communicate the resolution of the complaint directly with the client; and
* if the complaint is not resolved, then the policy should have processes prescribed for how the complaint can be escalated to an external authority for resolution.

Every complaint received is carefully examined to determine if there is an opportunity to improve this Manual or other policies and procedures of my Practice.

The Practice’s Professional Indemnity Insurance provider is notified if necessary.

The Practice and the IPA consider consumer protection is paramount. The IPA have information about consumer protection on their website: [Consumer Protection (publicaccountants.org.au)](https://www.publicaccountants.org.au/about/consumer-protection). Clients and prospective clients are made aware of this IPA resource.

The IPA Members in this practice are part of the IPA Professional Standards Scheme. Scheme participants provide a higher level of consumer protection and professional services, as they are governed by a strict set of professional and ethical standards. Information about the IPA Professional Standards Scheme can be found on the IPA website at: [2022 - 2026 Professional Standards Scheme (publicaccountants.org.au)](https://www.publicaccountants.org.au/membership/ppc/professional-standards-scheme) and on the Professional Standards Councils website at: [Professional Standards Schemes | Professional Standards Councils (psc.gov.au)](https://www.psc.gov.au/professional-standards-schemes).

# Section 10: Risk Management Framework[[10]](#footnote-10)

## 10.1 Objectives

The objective of this Risk Management Framework document is to meet the public interest obligations and practice objectives by:

* facilitating business continuity of the Practice;
* enabling quality and ethical professional services to be delivered 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 risk management framework.

## 10.2 Risk Categories

This Risk Management Framework 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);
7. human resources risk; and
8. stakeholder risks;

[***## add any other risks as may be relevant to your Practice***].

**All 8 risks must be addressed in the 8 tables on pages 23 – 30**

**You cannot delete any of the 8 risk tables below**

**The 8 tables are provided for you below**

## 10.3 Overview and Resourcing of Risk Management Framework[[11]](#footnote-11)

The staff who maintain the Risk Management Framework have the required skills, experience and commitment to perform this task. [***##Choose one of the following options*** The sole practitioner of the Practice / the partners comprising the Practice / CEO of the Practice / Managing Partner of the Practice] take ultimate responsibility for this 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 a framework for Risk Management; and
* 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 IFAC.
* [***##insert any other resources relevant***].

This Risk Management Framework is evaluated annually and monitored throughout the year. The Practice’s aim is to ensure identified risks (including risks identified in this Risk Management Framework) 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 at the time of implementation.

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

## 10.4 Risk Assessment Likelihood, Risk Assessment Consequence, Risk Rating Matrix and Risk Reassessments

[***##Template note: This section 10.4 has two template illustrations – section 10.4a provides a simple template and section 10.4b provides a complex template. Either template can be adopted and modified as required. The template which is not used should be removed.***]

[***##Section 10.4a - Option A (Simple Template) below***]

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. | (eg Every 1-2 years.) |
| 2 | Possible  (10-50%) | It is possible the risk event will occur. | (eg Every 2-5 years.) |
| 1 | Unlikely  (<10%) | It is unlikely the risk event will occur | (eg 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) |

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. |

[***##End of Section 10.4a and Option A (Simple Template)***]

[***##Section 10.4b - Option B (Complex Template) below***]

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** |
| 5 | Almost certain  (>90%) | The risk event is expected to occur on an annual basis. | (eg occurs several times a year.) |
| 4 | Likely  (50-90%) | The risk event has occurred several times or more since establishment of the practice or has occurred for similar practices. | (eg Every year.) |
| 3 | Possible  (10-50%) | It is possible the risk event will occur. | (eg Every 1-2 years.) |
| 2 | Unlikely  (5-10%) | It is unlikely the risk event will occur, although it may occur infrequently. | (eg Every 2-5 years.) |
| 1 | Very Unlikely  (<5%) | The risk event is unforeseeable but has occurred to other practices. | (eg 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** |
| 5 | Could shut down Practice and have a significant material impact on the Practice’s business objectives |
| 4 | Could have a material impact on the Practice and the Practice’s ability to achieve key business objectives |
| 3 | Noticeable impact on the Practice with some business objectives not achieved |
| 2 | Some impact that is easily remedied |
| 1 | Impact 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** | **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 (2) | Low (3) | Medium (4) | High (5) |

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. |
| 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. |

**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 | None | Controls and/or management activities are non-existent or have major deficiencies and don’t operate as intended. | Critical improvement opportunity |
| 2 | Needs Improvement | Limited controls and/or management activities are in place, high level of risk remains | Significant improvement opportunity |
| 3 | Adequate | Controls and/or management activities are in place, with opportunities for improvement identified | Moderate improvement opportunity |
| 4 | Strong | Controls and/or management activities are properly designed and operating, with limited opportunities for improvement identified | Limited improvement opportunity |
| 5 | Effective | Controls and/or management activities are properly designed and operating as intended | Effective. |

[***##Template note: There are many risks your practice can be exposed to. The below are examples of different types of risks, many of which could belong to a combination of risks categories. The risks you identify should be specific to your circumstances and practice and will be related to your risk appetite. You will need to edit the examples below (indicated in highlighted text) to suit your Practice***]

The risks identified for the Practice are as follows:[[12]](#footnote-12)

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **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 |  |  |  |  |
|  | Retirement | Staff fraud |  |  |  |  |  |
|  |  | Poor quality |  |  |  |  |  |

All identified risks are documented using the risk register templates in section 10.5.

[***##Template note: APES 325 requires all firms to have documented a business succession plan as part of this Risk Management Framework. We have not included a template succession plan as part of this Manual, however, have referred to some resources to assist you in documenting a succession plan for your own and as applicable to your own Practice.***]

[***##The following wording is optional only if you have had regard to Module 8: Succession Planning as issued by the IFA***]

Separately, the Practice has, in developing and maintaining a Practice Succession Plan as part of this Risk Management Framework, had regard to Module 8: Succession Planning in the *Guide to Practice Management for Small- and Medium-Sized Practices* issued by the Small and Medium Practice Committee of the International Federation of Accountants (IFAC).

[***##Template note: You will need to populate the Risk Register in section 10.5 below with all of the risks you have identified as being applicable to your Practice in the table above. Once this Is complete, your Practice’s Risk Register will be a collation of all documented risks.***

***We have provided one example of an entry into a Risk Register for each ‘category’ of risk (eg governance, business continuity, financial, etc.) in section 10.5 below. Please note this is not an exhaustive list of all of the entries that should be inserted into the Risk Register. In addition to populating the Risk Register below, you will need to review all of the examples provided and make any/all changes necessary to ensure the sample entries are relevant to your Practice***]

## 10.5 Risk Register

|  |  |  |
| --- | --- | --- |
| **Risk Number – R0001** | Last Review: [date] | Next Review: [date] |
|  | Date Identified: [date] | Raised by: [Insert name & title] |
| Name of risk | **Conflicts between partners** | |
| Risk category | **Governance Risk** | |
| Description of risk | The Practice consists of [***##insert number of partners***]. There can be a risk of conflict arising between partners, if the practice has more than one partner. | |
| Potential impact of risk on the practice | Conflicts between partners may impact the Practice’s ability to provide professional services in compliance with professional standards or may fall short of the standard of services clients expect from 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) Outline specific conflict management rules for all staff with set processes for solving any conflicts, for example, engaging a mediator to formally resolve conflicts where necessary.  (2) Clearly defining the scope of each person’s role within the Practice to reduce the risk of conflicts arising as a result of overlapping or duplicated responsibilities  (3) Implementing a policy of respecting all staff members in the workplace.  (4) Ensuring regular review and update of the Practice Succession Plan  (5) The practice will remain a single partner practice to ensure no conflict between partners can materialise. | |
| 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 | **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 – R0003** | 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 – R0004** | 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 – R0005** | 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, 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 regulator requirements. | |
| Person who conducted the last risk review | [insert name and title] | |

|  |  |  |
| --- | --- | --- |
| **Risk Number – R0006** | 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 – R0007** | Last Review: [date] | Next Review: [date] |
|  | Date Identified: [date] | Raised by: [Insert name & title] |
| Name of risk | **Loss of one partner tax agent registration with the TPB** | |
| Risk category | **Human Resources Risk** | |
| Description of risk | We are a two-partner practice and both partners are registered as a tax agent with the Tax Practitioner Board (TPB).  This risk is in relation to one of the partners losing their tax agent registration with the TPB. | |
| Potential impact of risk on the practice | If the practice is reduced to only one partner having registration as a tax agent with the TPB, the capacity of the practice to deliver the current level of client services would be compromised. This would have a negative effect on practice income and consequently, a negative effect on the reputation of the practice which could affect the viability of the practice. | |
| 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) Diarise TPB registration dates,  (2) Maintain a Practice Succession Plan.  (3) Maintain CPD in accordance with the IPA Pronouncement 7 / TASA 2009.  (4) Development of qualified personnel.  (5) Backup arrangements with associated networked practices. | |
| Person who conducted the last risk review | Partner-1 | |

|  |  |  |
| --- | --- | --- |
| **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] | |

# Template Forms and Checklists

**Appendix 1** Independence and Declaration Checklist.

**Appendix 2** Client Screening Form.

**Appendix 3** New Client Form.

**Appendix 4** Client Retention Checklist.

**Appendix 5** Client Complaint Form.

## Appendix A1 Independence and Declaration Checklist

This Checklist is completed by all staff of the Firm on an annual basis.

|  |  |  |  |
| --- | --- | --- | --- |
| **Item** | **Question** | **Yes** | **No** |
| 1 | Are you a director, officer, or trustee of any client? |  |  |
| 2 | Do you hold any management position with any client? |  |  |
| 3 | Are you an employee of any client? |  |  |
| 4 | Do you have any immediate family member (spouse, parent, child or other close relative) who is a director (or equivalent role) or employee of a client? |  |  |
| 5 | Do you have a direct or indirect material financial interest in a client or its related parties? |  |  |
| 6 | Do you have any immediate family member (spouse, parent, child or other close relative) who has a material financial interest in a client or its related parties? |  |  |
| 7 | Do you have a material financial interest in any major competitors of a client? |  |  |
| 8 | Do you have any business relationship outside the Practice with a client or a client’s director (or equivalent role)/officer/employee that exists for financial gain? |  |  |
| 9 | Do you have primary engagement responsibility for any client that represents more than 15% of the practice’s fee income? |  |  |
| 10 | Do you have primary engagement responsibility for any client whose fees are more than 6 months in arrears? |  |  |
| 11 | Do you owe money to any client (other than as a customer under normal commercial terms and conditions)? |  |  |
| 12 | Have you received any inducements, including gifts and hospitality, from a client or in connection with a client engagement, that might be viewed as intending to influence your professional decisions? |  |  |
| 13 | Are you authorised to make payments (e.g. EFTPOS, cheque signatory) for any client? |  |  |
| 14 | Are you aware of any other issues that may affect your independence and objectivity? |  |  |
| 15 | Have you considered any real or apparent material conflict of interest in relation to any activities you undertake for an Australian government agency in a professional capacity? |  |  |

If your response to any of the above items was “yes”, please complete the following table:

|  |  |  |
| --- | --- | --- |
| **Description of circumstances** | **Outline how independence might be compromised** | **Appropriate safeguards applied to eliminate or reduce threats to an acceptable level** |
|  |  |  |

## Appendix A2 Client Screening Form

|  |  |
| --- | --- |
| **Potential New Client**  [name/email/phone] |  |
| **Referred from**  [name] |  |
| **Initial Appointment**  [Date/Time] |  |

|  |  |
| --- | --- |
| **Issues for discussion** | **Response** |
| **Individual clients**  [Ask for details about services required, seek information about type/status of employment, sources of income etc]  **Business clients**  [Ask for details about services required, nature and history of their business, nature of client’s operations and business practices, any current concerns about their business etc] |  |
| **Previous accountant**  Who was your previous accountant?  Why have you found it necessary to change?  **Seek client’s permission to contact their previous accountant** |  |
| How did you hear about this practice and what motivated you to approach it/me for tax engagement/other services? |  |
| Are you up to date with all your tax/regulatory obligations?  [BAS/tax returns and payments] |  |
| Seek information about the specific services required. Confirm appropriate documentation, receipts and other supporting evidence is available |  |
| Inform the client about services that can be provided, what information will be required and when, client service approach, fees, reporting deadlines etc  Note any concerns raised |  |

|  |  |
| --- | --- |
| **Potential Client Assessment** | |
| **Issues for discussion** | **Response** |
| Do I/we have the competence and capabilities to manage all issues relating to the engagement? |  |
| **Business clients**  Do I/we have sufficient knowledge of the relevant industry/sector the client operates in? |  |
| Are there any issues that require the practice to acquire any specific skills or knowledge in order to provide a quality service? |  |
| Do I/we have the resources and time to undertake the engagement in a timely manner and to meet lodgment deadlines? |  |
| Are there any significant threats to independence?  [Refer **Appendix A1** for guidance] |  |
| Will the firm potentially accept this new client? |  |
| **Summary and Observations** | Date: |

If the client is potentially accepted, send an ethical clearance letter to the previous accountant [refer <https://www.publicaccountants.org.au/resources/templates>] (if required).

|  |  |
| --- | --- |
| **Ethical Clearance Letter details** | |
| Date sent: |  |
| Date response received: |  |
| Issues raised: |  |
| Proceed with formal acceptance of client? |  |
| Date of decision to accept client: |  |

If the potential client is accepted as a client, complete the New Client Form (refer **Appendix A3**).

## Appendix A3 New Client Form

**Individual 1**

|  |  |
| --- | --- |
| First Name |  |
| Surname |  |
| Date of Birth (DOB) |  |
| Place of Birth (POB) |  |
| Tax File Number (TFN) |  |
| Australian Business Number (ABN) |  |
| Postal Address |  |
| Email Address |  |
| Business Hours Telephone Number |  |
| Mobile Telephone Number |  |

**Individual 2**

|  |  |
| --- | --- |
| First Name |  |
| Surname |  |
| Relationship to Individual 1 |  |
| Date of Birth (DOB) |  |
| Place of Birth (POB) |  |
| Tax File Number (TFN) |  |
| Australian Business Number (ABN) |  |
| Postal Address |  |
| Email Address |  |
| Business Hours Telephone Number |  |
| Mobile Telephone Number |  |

**Business Clients**

|  |  |
| --- | --- |
| Name of Entity |  |
| Type of Entity |  |
| Incorporation Details |  |
| Industry Details |  |
| Key Management (Names/Roles) |  |
| Related Parties (eg Subsidiaries) |  |
| Number of Employees |  |
| Officeholder 1 (Position) |  |
| Officeholder 2 (Position) |  |
| Australian Company Number (ACN) |  |
| Australian Business Number (ABN) |  |
| Tax File Number (TFN) |  |
| Postal Address |  |
| Email Address 1 |  |
| Email Address 2 |  |
| Internet Address |  |
| Business Hours Telephone Number |  |
| Business Hours Facsimile Number |  |
| Mobile Telephone Number 1 |  |
| Mobile Telephone Number 2 |  |

## Appendix A4 Client Retention Checklist

|  |  |
| --- | --- |
| **Client**  [name/email/phone] |  |
| **Date of original engagement** |  |

|  |  |
| --- | --- |
| **Issues for consideration** | **Review comments** |
| I/we have considered all information on hand, including any changes to client circumstances, and conclude that client integrity is acceptable/unacceptable?  [Note any significant changes to client circumstances]  [Note any potential concerns for future reconsideration] |  |
| Are there any changes to client circumstances that would warrant completing a Client Screening Form (**Appendix A2**)? |  |
| Do I/we continue to have the competence and capabilities to manage all issues relating to the engagement? |  |
| **Business clients**  Do I/we continue to have sufficient knowledge of the relevant industry/sector the client operates in? |  |
| Do I/we have the resources and time to undertake the engagement in a timely manner and to meet lodgment deadlines? |  |
| Are there any significant threats to independence?  [Refer **Appendix A1** for guidance] |  |
| Are there any fee collection issues? |  |
| **Summary and Observations**  [Include decision to retain or terminate client engagement] | Date: |

## Appendix A5 Client Complaint Form

|  |  |
| --- | --- |
| **Client**  [name/email/phone] |  |
| **Date of complaint** |  |
| **Date complaint acknowledged** |  |
| **Details of complaint** |  |
| **Implications** |  |
| **Consultation with IPA/ATO/TPB/other?** |  |
| **Action taken**  [include dates] |  |
| **Complaint resolved/unresolved**  [include dates] |  |
| **Potential adjustments to Manual or policies/procedures?** |  |
| **Need to notify PII provider?** |  |

1. 1, Reference: APES 320 *Quality Management for Firms that provide Non-Assurance Services*:

   **Firm’s responsibilities for a System of Quality Management**

   3.1. A Firm shall establish and maintain a System of Quality Management for non-assurance services designed to provide it with reasonable confidence that the Firm and its Personnel comply with Professional Standards and applicable legal and regulatory requirements and that Engagement Outputs issued or provided by the Firm or Engagement Partners are appropriate in the circumstances. [↑](#footnote-ref-1)
2. 2. Reference: APES 320 Quality Management for Firms that provide Non-Assurance Services:

   **The System of Quality Management**

   3.5. A Firm shall establish and maintain a System of Quality Management that includes policies and procedures that address each of the following elements:

   (a) Governance and Leadership.

   (b) Professional Standards.

   (c) Acceptance and continuance of Client relationships and specific Engagements.

   (d) Resources.

   (e) Engagement performance.

   (f) Information and communication; and

   (g) Monitoring and remediation.

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

   3.8 The requirements of this Standard are designed to enable a Firm to implement a System of Quality Management that achieves the requirement in paragraph 3.1 of this Standard. A Firm shall consider the nature and circumstances of the Firm or its Engagement and:

   (a) comply with each requirement of this Standard unless the requirement is not relevant to the Firm; and

   (b) 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.

   **Allocation of responsibilities within the Firm**

   3.13 The Firm’s chief executive officer (or equivalent) or the Firm’s managing Partner (or equivalent) or, if appropriate, the Firm’s managing board of Partners (or equivalent), shall assume ultimate responsibility for the Firm’s System of Quality Management. The Firm shall document this in the Firm’s policies and procedures.

   3.14 A Firm shall establish policies and procedures such that any person or persons assigned operational responsibility for the Firm’s System of Quality Management, or for specific aspects of the System of Quality Management, by the Firm’s chief executive officer, managing Partner or managing board of Partners:

   (a) has the appropriate experience, knowledge, influence and authority within the Firm, and sufficient time, to fulfill their assigned responsibility; and

   (b) understands their assigned roles and that they are accountable for fulfilling them.

   **Documentation of the System of Quality Management**

   3.17 A Firm shall maintain appropriate documentation to provide evidence of the operation of each element of its System of Quality Management.

   **Elements of the System of Quality Management**

   4.1 A Firm shall establish policies and procedures designed to promote an internal culture recognising that quality is essential in performing Engagements.

   **Information and Communication**

   4.59 The Firm shall establish policies and procedures that address obtaining, generating or using information regarding the System of Quality Management, and communicating that information within the Firm and to external parties on a timely basis to enable the establishment and maintenance of the System of Quality Management. [↑](#footnote-ref-2)
3. 3. Reference: APES 320 *Quality Management for Firms that provide Non-Assurance Services:*

   **Professional Standards**

   4.4. A Firm shall establish policies and procedures designed to provide it with reasonable confidence that the Firm and its Personnel comply with Professional Standards.

   **Independence**

   4.8 The type of Professional Services the Firm provides may result in the Firm being subject to Independence requirements. If the Firm is providing non-assurance services to a Client and the Firm is also engaged to conduct an Assurance Engagement, the Firm needs to consider Part 4A Independence for Audit and Review Engagements or Part 4B Independence for Assurance Engagements Other than Audit or Review Engagements of the Code, as applicable. Other Professional Standards with Independence requirements include: (a) APES 215 Forensic Accounting Services; (b) APES 225 Valuation Services; (c) APES 230 Financial Planning Services; (d) APES 315 Compilation of Financial Information; (e) APES 330 Insolvency Services; (f) APES 345 Reporting on Prospective Financial Information prepared in connection with a Public Document; and (g) APES 350 Participation by Members in Public Practice in Due Diligence Committees in connection with a Public Document.

   4.9 A Firm shall establish policies and procedures designed to provide it with reasonable confidence that the Firm, its Personnel and, where applicable, others subject to Independence requirements (including Network Firms’ Personnel) maintain Independence where required by Professional Standards. 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 eliminating the circumstances creating the threats, applying safeguards (if available), or to withdraw from the Engagement (where withdrawal is possible under applicable law or regulation).

   **Further Guidance**: Refer [APESB Independence Guide](https://www.publicaccountants.org.au/resources/apesb-independence-guide) (May 2020) which provides guidance on how to apply the conceptual framework in the Code to independence for audits, reviews and other assurance engagements as set out in Parts 4A and 4B. of the Code. [↑](#footnote-ref-3)
4. 4. Reference: APES 320 *Quality Management for Firms that provide Non-Assurance Services*

   **Acceptance and continuance of Client relationships and specific Engagements**

   4.10 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 confidence 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 the Professional Standards; 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.

   4.14 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; and

   (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.

   4.16 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) when a Member encounters or becomes aware of instances of non-compliance or suspected non-compliance with laws and regulations (NOCLAR) that they comply with NOCLAR provisions in the Code;

   (b) 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

   (c) the possibility of withdrawing from the Engagement or from both the Engagement and the Client relationship. [↑](#footnote-ref-4)
5. 5. Reference: APES 320 *Quality Management for Firms that provide Non-Assurance Services*

   **Resources**

   4.19 A Firm shall establish policies and procedures to provide it with reasonable confidence that the Firm has sufficient and appropriate resources for use in the Firm’s System of Quality Management and in the performance of Engagements.

   **Assignment of Engagement Teams**

   4.26 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 where applicable Those Charged with Governance;

   (b) the Engagement Partner has the appropriate competence, capabilities and authority to perform the role;

   (c) the Engagement Partner has the capacity to be sufficiently and appropriately involved throughout the Engagement; and

   (d) the responsibilities of the Engagement Partner are clearly defined and communicated to that Partner.

   4.28 A Firm shall establish policies and procedures to assign appropriate individuals to the Engagement Team with the necessary competence and capabilities to perform Engagements that comply with the requirements of the System of Quality Management. [↑](#footnote-ref-5)
6. 6. Reference: APES 320 *Quality Management for Firms that provide Non-Assurance Services*

   4.37. A Firm shall establish policies and procedures designed to provide it with reasonable confidence that the Firm performs that comply with the requirements of the System of Quality Management.

   4.38 Where the Firm uses an Engagement Team, the policies and procedures required in paragraph 4.37 shall include:

   (a) Engagement Teams understand and fulfill their responsibilities in connection with the Engagements;

   (b) members of the Engagement Team have an inquiring mind, exercise professional judgement and use the reasonable and informed third party test in the Code;

   (c) matters relevant to promoting consistency in the quality of Engagement performance;

   (d) supervision responsibilities; and

   (e) review responsibilities, including that the work of less experienced team members is reviewed by more experienced Engagement Team members.

   Consultation

   4.43. A Firm shall establish policies and procedures designed to provide it with reasonable confidence that:

   (a) appropriate consultation takes place on difficult or contentious matters and high-risk Engagements;

   (b) sufficient resources are available to enable appropriate consultation to take place; and

   (c) conclusions resulting from consultations are implemented. [↑](#footnote-ref-6)
7. 7. Reference: APES 320 *Quality Management for Firms that provide Non-Assurance Services:*

   4.49 A Firm shall establish policies and procedures in relation to Engagement Documentation including:

   (a) the completion and assembly of final Engagement files on a timely basis after the Engagement Outputs have been finalised;

   (b) to maintain the confidentiality, safe custody, integrity, accessibility and retrievability of Engagement Documentation; and

   (c) for the retention of Engagement Documentation for a period sufficient to meet the needs of the Firm or as required by law or regulation. [↑](#footnote-ref-7)
8. 8. Reference: APES 320 *Quality Management for Firms that provide Non-Assurance Services:*

   Monitoring a Firm’s quality management policies and procedures

   4.65. A Firm shall establish a Monitoring process designed to provide it with reasonable confidence that the policies and procedures relating to the System of Quality Management are relevant, adequate, and operating effectively. This process shall:

   (a) include an ongoing consideration and evaluation of the Firm’s System of Quality Management, including, on a cyclical basis, Inspection of at least one completed Engagement for each Engagement Partner; and

   (b) require that those performing the Engagement are not involved in Inspections.

   4.69. 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 Management, or for a longer period if required by law or regulation.

   Remediation

   4.74 The Firm shall respond to circumstances and undertake appropriate remedial actions when findings of the Monitoring process, or investigations into complaints and allegations, indicate that there are deficiencies in the Firm’s System of Quality Management. [↑](#footnote-ref-8)
9. 9. Reference: APES 320 *Quality Management for Firms that provide Non-Assurance Services:*

   4.71. A Firm shall establish policies and procedures requiring documentation on receiving and investigating complaints and allegations and the responses to them and that provide the Firm with reasonable confidence 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 Management.

   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. [↑](#footnote-ref-9)
10. 10. 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-10)
11. 11. 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-11)
12. 12. Reference: APES 325 *Risk Management for Firms:*

    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.

    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.

    6.8 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-12)