

AGENDA PAPER

Item Number: 5
Date of Meeting: 13 February 2017
Subject: Project update on revision of APES 310 *Client Monies*

Action required **For discussion** **For noting** **For information**

Purpose

- To provide the Board with an update on the proposed revision of APES 310 *Client Monies* and to seek the Board's views and feedback in respect of the progress on the following matters;
 - Opening of Trust Accounts with Financial Institutions;
 - Professional Body's approval to change an auditor of Client Monies; and
 - A Member in Public Practice being a dual signatory on a Client Bank Account.
- To seek the Board's approval for Technical Staff to work with the Australian Bankers Association (ABA) and the Tax Practitioners Board (TPB) to develop an information sheet or a similar document on Accountants Trust Accounts in order to facilitate the process of opening a Trust Account with a Financial Institution.

Background

APES 310 was originally issued in December 2010 and was subsequently revised and re-issued in July 2013.

An Exposure Draft on the proposed revised APES 310 was issued in July 2016. The Board then considered respondents' feedback at its November 2016 meeting [Agenda Paper](#). The Board requested Technical Staff to further investigate certain issues and report back on them at the February 2017 Board meeting.

Consideration of Issues

At the request of the Board, Technical Staff have undertaken additional activities in respect of the following issues:

1. Opening of Trust Accounts

The issue of some Members in Public Practice experiencing difficulties with Financial Institutions when opening a trust account that complies with the requirements of APES 310 was discussed at the November 2016 Board meeting.

To address this recurring issue, APESB Technical Staff have consulted with the Australian Bankers Association (ABA), and the Tax Practitioners Board (TPB). We understand that the TPB have also raised similar concerns with the ABA about the ability of registered tax agents to open a trust account with a financial institution.

ABA has previously engaged with its members on this issue to determine what action could be taken at an industry level. Based on the feedback received from its bank members, the ABA have reached the conclusion that the matter of opening APES 310 compliant bank accounts is a commercial matter for individual bank members. ABA has informed us that they have provided the contact details of the accounting bodies to their member banks and have encouraged the banks to approach the accounting bodies bilaterally to develop a solution on a commercial basis.

Technical Staff have discussed with the ABA and the TPB the potential to develop an information sheet which provides the background on the reasons why an accountant needs to open a trust account.

Based on preliminary discussions, both organisations are willing to explore the option of developing an information sheet on Accountants trust accounts. The information sheet would be a resource that accountants could provide to individual banks to demonstrate their need to open a trust account. The information sheet could include:

- The purpose/ need for accountants to be able to open a trust account;
- Criteria the accountant should satisfy (for example, holding a public practice certificate, membership of a professional accounting body);
- Key terms and conditions of the trust account; and
- How the trust account should be operated.

At this stage this option is in the early stages of consideration as each respective organisation will need to determine their involvement with and the nature of endorsement they could provide to the final document.

Technical Staff are therefore seeking Board approval to explore this option of developing an information sheet in collaboration with the ABA and TPA. If the Board is supportive, Technical Staff propose to provide an initial draft of the proposed Information Sheet at the May 2017 Board Meeting.

2. Professional Body's approval to change an Auditor of Client Monies

The extant APES 310 contains two requirements which require Members in Public Practice to seek the approval of the relevant Professional Accounting Body before they

replace their existing Auditor of Client Monies (paragraph 8.8) or they resign as an Auditor of Client Monies (paragraph 9.9).

Technical Staff have researched the reason for including this requirement in the predecessor APS 10. Based on our research, Technical Staff believe the inclusion of these two requirements was to provide the Professional Bodies with an oversight of this process. It is a control mechanism to enable the Professional Body (as the oversight body) to ensure that the change of auditor was for an appropriate reason and was not to avoid an impropriety being discovered or to minimise opinion shopping. This would also enable the Professional Bodies to capture data about the Members in Public Practice who have a trust account, and the Members in Public Practice who perform trust account audits.

Technical Staff note that for other professions, such as lawyers and real estate agents, there is no requirement to seek approval before changing a trust account auditor. Instead they are required to notify a regulator or oversight board as to the change that has taken place within a specific deadline (e.g., immediately or up to 7 days).

Technical Staff did find another instance (in addition to the example of auditor of public companies) where approval is required before an auditor can resign or be replaced, and it relates to credit licensee trust accounts which has ASIC oversight. ASIC must provide consent before a change of auditor can take effect in respect of these trust accounts.

We believe that the existing standard should be maintained, as otherwise it will diminish the control and oversight that the Professional Bodies will have over this process which has a significant public interest element as it relates to Client Monies.

3. ASAE 3100 Compliance Engagements (ASAE 3100)

Appendix 1 of APES 310 includes an example of an audit report which is drafted to be consistent with the requirements in ASAE 3100 *Compliance Engagements* (ASAE 3100).

The Auditing and Assurance Standards Board (AUASB) have undertaken a project to revise ASAE 3100. This project is close to completion with the AUASB at their November 2016 meeting approving the issue of a revised ASAE 3100, subject to internal QA processes being completed and a final review by the Chair. The final revised ASAE 3100 is expected to be released in late January or early February 2017.

Once the AUASB issues a revised ASAE 3100, APESB Technical Staff will review Appendix 1 of APES 310 and determine the necessary amendments. The amendments will be incorporated into the revised APES 310 which Technical Staff are planning to present at the May 2017 Board Meeting.

4. Application of APES 310 when a Member in Public Practice is a dual signatory with a Client

The Taskforce had queried whether transactions where the Member in Public Practice and the Client are dual signatories should be captured within the scope of APES 310.

APESB Technical Staff are aware that Members in Public Practice can often be asked to act as a signatory on a Client Bank Account. This practice is not limited to small to medium sized entities, but can also occur with large entities especially if they are dealing with an overseas operation.

Some examples considered by Technical Staff in determining whether dual signatory situation should be included in the scope of APES 310 include:

- A family business led by a small management team comprising a few family members may appoint a Member in Public Practice as co-signatory for disbursements, particularly significant payments. Family members view the Member as an independent professional who will maintain integrity over disbursements to be made by the business.
- A small private entity which has a limited number of personnel with the appropriate level of authority and financial expertise to approve monetary transactions.
- A small partnership has limited number of partners authorised to sign off disbursements, and they can sometimes be unavailable to perform this function. The partnership has appointed a Member in Public Practice as a co-signatory to expedite processing of payments in emergency situations.
- An overseas based entity has a small operation in Australia with limited officers. The Board of the overseas entity appoints a Member in Public Practice to be a dual signatory on material disbursements. The Board of the foreign entity sees the involvement of the Australian accountant as a form of control over the resources of the Australian operations.

Technical Staff have considered this issue and are of the view that in a similar manner to the extant standard, dual signatory situations should continue to be within the scope of the Standard as:

- Members in Public Practice are appointed as a signatory as those charged with governance of the Client place a high level of trust and reliance on the Members' expertise, professionalism and involvement with the process; and
- it is in the public's best interest that Members dealings or involvement with Client Monies are subject to review and scrutiny.

Technical Staff note that the proposed revisions to APES 310 will provide relief from the audit requirements of APES 310 to Members who only deal with Client Monies in this manner. In a dual signatory situation and if the Member in Public Practice has no other dealing with Client Monies, then Members can have a limited assurance engagement (or review) performed on their compliance with APES 310 (paragraph 8.3 of proposed revised [APES 310](#)).

Way forward

Subject to the Board's views on the matters outlined in this paper, Technical Staff propose to draft amendments to APES 310 that update Appendix 1 to be consistent with the revised ASAE 3100.

A revised version of APES 310 will then be presented to the Board at their May 2017 Board Meeting.

Subject to the Board's approval, Technical Staff will also continue to consult with the ABA and TPB on producing an Information Sheet which will facilitate the process of Accountants opening a Trust Accounts with a Financial Institution.

Technical Staff Recommendations

That the Board:

- note the progress on the revision of APES 310 and provide the Board review comments; and
- approve the proposal for Technical Staff to work with the Australian Bankers Association and the Tax Practitioners Board to develop an information sheet or a similar document on Accountants Trust Accounts to facilitate the process of opening a Trust Accounts with a Financial Institution.

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Date: 31 January 2017