

## AGENDA PAPER

**Item Number:** 4  
**Date of Meeting:** 11 November 2015  
**Subject:** Project Status update - Revision of APES 310 *Dealing with Client Monies*

---

Action Required     For Discussion     For Noting     For Information

---

### Purpose

- To provide an update to the Board on the project to revise APES 310 *Dealing with Client Monies*;
- to obtain the Board's guidance in respect of the proposed definition of *Client Monies*; and
- To obtain the Board's views on the inclusion of the sample authority letter in the proposed revised standard.

### Background

APES 310 *Dealing with Client Monies* was originally issued in December 2010 to replace APS 10 *Trust Accounts* and GN 3 *Operation of Trust Accounts*. Due to the matters raised in the Annual Review process, APES 310 was subsequently revised and re-issued in July 2013.

APES 310 sets out mandatory requirements and guidance for Members in Public Practice who deal with Client Monies or who act as an Auditor of Client Monies. Part A of the Standard specifies the professional obligations of a Member in Public Practice who deals with Client Monies whilst Part B specifies the professional obligations of an Auditor of Client Monies.

APES 310 makes reference to a number of documentation and communication requirements. During the 2013/14 review processes, the Board discussed the impact of developments in e-commerce (i.e. electronic communication, electronic record keeping and electronic data processing) and considered whether the Standard appropriately addresses these developments. The Board identified a need to review and potentially amend APES 310 to incorporate the impact of developments in e-commerce.

The Board noted that obtaining more comprehensive input and perspectives on the developments in e-commerce from members in public practice will assist in determining the appropriate revisions to APES 310. Accordingly, in September 2014 a working party consisting of Professional Body representatives and practising members was formed to assist with the revision of APES 310.

The process followed by Technical Staff and the working party to date in respect of this project is noted below:

- In October 2014 Technical Staff met with working party participants. Separate meetings were held with participants nominated by CPA Australia, Chartered Accountants Australia and New Zealand and the Institute of Public Accountants to identify practical issues and concerns that were experienced by the current users of APES 310.
- Technical Staff summarised the issues raised by working party participants and developed proposals for further consideration by the working party. The summary of issues has been presented for the Board's information at Agenda Item 4(a).
- In March 2015, APESB Technical Staff and representatives of the working party met with the Australian Bankers Association (ABA) to discuss issues Members were experiencing in respect to opening Trust Accounts with financial institutions. ABA has agreed to follow this up with the retail banks and will get back to APESB if they require further information.
- In July 2015 a full working party meeting was held to discuss the potential amendments to APES 310 to address issues raised at Agenda Item 4(a). Key documents that were discussed at this meeting were the Issues table (Agenda Item 4(a)) and the proposed revised standard (refer Agenda Item 4(b)).

## Consideration of issues

### 1. Definition of Client Monies

The working party considered the definition of *Client Monies* in the standard and was of the view that this definition should exclude monies that are subject to dual authorisation where the other authorising party is the Client. This is in contrast to the current definition of *Client Monies* which reflects the view that the Member's involvement in the authorisation process is valued and the Client (or Those Charged with Governance of the Client) is placing some reliance on the Member's involvement with the entity's money.

Accordingly Technical Staff request that the Board provide feedback on the following proposed alternatives:

#### Option (a): Retain the existing definition of Client Monies:

**Client Monies** means any Monies (in whatever form) coming into the control of a Member in Public Practice or any of the Member's Personnel which are the property of a Client and includes Monies to which the Member or the Member's Personnel have no present entitlement. "Control" means where a Member or any of the Member's Personnel, acting either solely or in conjunction with one or more people, can authorise the transacting of Client Monies.

This definition is consistent with the previous APES 10 (issued in 1997) which considered whether the money was held or received in the case of or in connection with a Member in Public Practice providing a public accounting service to clients.

Option (b): Amend the definition of Client Monies to exclude monies subject to dual authorisation:

**Client Monies** means any Monies (in whatever form) coming into the control of a Member in Public Practice or any of the Member's Personnel which are the property of a Client and includes Monies to which the Member or the Member's Personnel have no present entitlement. "Control" means where a Member or any of the Member's Personnel, acting ~~either solely or in conjunction with one or more people,~~ without the Client's involvement, can authorise the transacting of Client Monies.

*New definition of Client Involvement*

**Client Involvement** means to sign or co-sign a withdrawal request or cheque, or to create, authorise or release an electronic fund transfer.

Technical Staff is supportive of retaining the existing definition as there may be circumstances where Those Charged with Governance of an entity may not be involved with the transaction and is taking comfort from the Member in Public Practice's involvement with the transaction performed which is performed in conjunction with another authorised signatory of the entity.

## **2. Sample authority letter for inclusion in an Appendix to APES 310**

As detailed in Issue # 20 of Agenda Item 4(a), Members in Public Practice have experienced difficulties when requesting access to documentation from the Client for the purposes of an APES 310 audit. To address this issue, Chartered Accountants Australia and New Zealand (CA ANZ) has provided a template authority letter that is currently used by CA ANZ members. This letter has been amended to incorporate references to the allocation of interest and unclaimed Client Monies and is provided as Agenda Item 4(c).

## **3. Annual review of APES 310 Dealing with Client Monies**

As per APESB's Constitution, APESB is required to review APES 310 on a yearly cycle to address any issues identified by stakeholders. The current issues reported on the Issues Register are being addressed as part of the project to revise APES 310 (refer Agenda Item 4(a)). There are no further matters that have been reported by stakeholders.

### **Way forward**

Technical Staff request that the Board:

- note the progress to date in respect of the APES 310 revision project and provide the Board's views and review comments on the issues identified by the working party;
- provide guidance in respect of proposed options for the definition of *Client Monies*; and
- provide guidance on the inclusion of the sample authority letter in the proposed revised standard.

### **Material presented**

Agenda Item 4 (a)	Issues raised by working party participants in respect of APES 310;
Agenda Item 4 (b)	Proposed standard APES 310 <i>Client Monies</i> ; and
Agenda Item 4 (c)	Trust Account/Client Bank Account sample authority letter

**Authors:** Channa Wijesinghe  
Rozelle Azad

**Date:** 2nd November 2015