

AGENDA PAPER

Item Number: 10
Date of Meeting: 22 March 2018
Subject: Proposed Revision: APES 310 *Client Monies*

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

Purpose

To obtain the Board's approval to issue:

- (a) the revised APES 310 *Client Monies* (APES 310); and
- (b) the Trust Account Information Sheet and associated Template letter on opening Trust Accounts with financial institutions.

Background

APESB is undertaking a project to revise APES 310 *Dealing with Client Monies* (APES 310) which was last revised in July 2013.

APESB issued the Exposure Draft 05/17 *Proposed Standard: APES 310 Client Monies* (the Exposure Draft) in December 2017.

The Exposure Draft includes changes:

- (a) relating to the format and structure that separates requirements for Trust Accounts from Client Bank Accounts; and
- (b) to address matters recorded on the APESB Issues Register.

Comments were due by 16 February 2018.

In addition, APESB has developed an information sheet and associated template letter in relation to Members in Public Practice opening Trust Accounts with financial institutions. At the November 2017 Board Meeting the Board requested Technical Staff undertake a final consultation with the Australian Bankers Association (ABA) and the Tax Practitioners Board (TPB) in relation to these resources.

Consideration of Issues

The two key matters for the Board to consider in relation to the project on APES 310 are set out below.

1. Revision of APES 310

APESB received four submissions from stakeholders and they are tabulated in the General and Specific Comments tables in Agenda Item 10(b) and Agenda Item 10(c), respectively.

Stakeholders were generally supportive of the proposed revisions to APES 310, including the segregation of the provisions relating to Trust Accounts and Client Bank Accounts. While there were a number of matters raised in the submission, Technical Staff believe there was one substantive issue raised which is summarised below and the proposed approach to address the issue.

Notifications required when there is a change of Auditor of Client Monies

A stakeholder raised an issue in respect of the notification process (paragraph 7.9) which requires all changes of Auditor of Client Monies to be notified to the auditee's Professional Body (refer to Specific Comments Table Item no 14). The stakeholder queried the objective behind this requirement and whether the proposed paragraphs are the appropriate response.

The stakeholder also suggested that the standard:

- (a) be more prescriptive about the details that a Member should provide to the Professional Body about the new Auditor of Client Monies; and
- (b) should allow a longer time frame for the Member to appoint a new Auditor of Client Monies.

The issue in respect of the change of the auditor notification process has been a key matter considered by the APESB on the APES 310 revision project. Agenda Item 8 of the November 2017 Board Meeting provides an analysis of the matters considered by the Board to date and the rationale for the provisions proposed in the Exposure Draft.

However, to clarify the comments in the submission, Technical Staff met with the stakeholder. The stakeholder was of the view that the proposed process would not make it easy to identify issues relating to the change of Auditor of Client Monies. Rather issues would be more easily highlighted through the professional appointment process required under the proposed paragraph 8.3. The stakeholder suggested that the notification be on an exception basis, for example, if the proposed guidance paragraph 8.11 was made into a mandatory reporting requirement. The stakeholder suggested that this paragraph could also be extended to situations where the Auditor was removed from an Engagement.

The discussion with the Stakeholder also focussed on the confidentiality issues that might arise in relation to reporting matters to the auditee's Professional Body. It was suggested that this matter could be included in the Terms of Engagement to address this concern.

Technical Staff have considered these suggestions and do have some concerns about changing the notification process to a mandatory reporting requirement as a Member needs to exercise judgement in these circumstances. Paragraph 8.11 recommends that Members make a judgement about reporting concerns to a Professional Body. It is difficult to envisage how this judgement could be regulated or monitored by the Professional Bodies. There is also the issue of the Auditor of Client Monies undertaking a quasi-enforcement role, which is not the intention of this paragraph.

Based on these considerations, Technical Staff believe the current proposals relating to the notification of change of Auditor of Client Monies should be retained in the revised version of APES 310, with some amendments to address the other matters raised by the Stakeholder in relation to this matter.

The proposed amendments are to:

- include in paragraph 7.9 that the membership details of the Auditor of Client Monies should be provided to the Professional Bodies;
- increase the deadline for Members to appoint a new Auditor of Client Monies from 10 Business Days to 20 Business Days (paragraph 7.9);
- include an additional paragraph that Members consider obtaining confirmation that the new Auditor of Client Monies is a Member of good standing with their Professional Body (proposed paragraph 7.10);
- include an additional requirement paragraph for an Auditor of Client Monies to include the option of reporting to the auditee's Professional Body in the Terms of Engagement (proposed paragraph 8.4); and
- extend the guidance paragraph where an Auditor of Client Monies resigns due to concerns about the Engagement to cover situations where the Auditor of Client Monies is removed from the Engagement (paragraph 8.11)

A marked-up copy of APES 310 (changes post ED) incorporating the proposed revisions from the exposure draft process is presented as Agenda Item 10 (a).

2. Information Sheet and Template Letter on Opening of Trust Accounts

Technical Staff have engaged with the ABA and TPB to ascertain their views on the final proposed version of the Information Sheet and Template Letter on Members opening Trust Accounts and appropriate editorial amendments have been incorporated. Refer to agenda items 10(d) and 10(e).

Staff Recommendation

Subject to the Board's review comments, the Board approve the issue of:

- (a) the revised APES 310 *Client Monies*; and
- (b) the Trust Account Information Sheet and associated Template letter on opening Trust Accounts with financial institutions.

Materials Presented

- Agenda Item 10 (a) Marked-up Draft of APES 310 *Client Monies*
- Agenda Item 10 (b) General Comments Table – ED 05/17
- Agenda Item 10 (c) Specific Comments Table – ED 05/17
- Agenda Item 10 (d) Draft Information Sheet on opening Trust Accounts;
- Agenda Item 10 (e) Draft Template Letter re opening Trust Accounts; and

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