

AGENDA PAPER

Item Number: 11
Date of Meeting: 16 August 2019
Subject: Proposed revised APESB pronouncements (ED 02/19)

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

Purpose

To obtain the Board's approval, subject to the Board's review comments and editorials, to issue the revised:

- APES 310 *Client Monies* (APES 310);
- APES 320 *Quality Control for Firms* (APES 320);
- APES 325 *Risk Management for Firms* (APES 325);
- APES GN 40 *Ethical Conflicts in the Workplace – Considerations for Member in Business* (APES GN 40); and
- APES GN 41 *Management Representations* (APES GN 41).

Background

The Board approved a [project plan](#) in March 2018 to revise all APESB pronouncements to incorporate changes required due to the release of the restructured APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code).

The restructured Code was issued by the APESB in November 2018.

In March 2019, APESB released the first exposure draft relating to this project (ED 01/19 *Revision of APESB Pronouncements*) with revisions proposed to ten pronouncements.

In June 2019, APESB released the second exposure draft relating to this project (ED 02/19 *Revision of APESB Pronouncements*) with revisions proposed to 5 pronouncements. The comment period for ED 02/19 closed on 24 July 2019.

Consideration of Issues

APESB received three submissions from stakeholders on ED 02/19, and they are tabulated in a General Comments table and the Specific Comments tables (for each pronouncement commented on) in Agenda Items 11(a) to 11(d).

Stakeholders were generally supportive of the proposed revisions to the pronouncements. The key issues raised by stakeholders in the submissions and how these responses have been addressed are noted below by pronouncement commented on.

APES 310 *Client Monies*

The key concern raised in relation to APES 310 was that Members are having difficulty complying with paragraph 5.1 of APES 310 in respect of obtaining bank accounts with 'Trust Account' in the name.

During the revision of the extant APES 310, APESB consulted with stakeholders on this matter (including the Professional Bodies, Australian Bankers Association (ABA) and the Tax Practitioners Board). The Board determined to maintain the requirement in the standard, but to assist Members, Technical Staff also released an [Information Sheet Professional accountants and Trust Accounts](#) and a template letter to banks to [request to open a trust account](#) in May 2018. Further, APESB worked with the ABA who agreed to distribute the APES 310 Standard and the Information Sheet to its members subsequent to its issue in May 2018.

Whilst there have been challenges in practice for Members, Technical Staff note that some banks are allowing Trust Account in bank account names, for example, including updating their procedures manuals for branches on how to open such accounts in their systems (For example, CBA and ANZ). We also note that whether a bank allows an accountant to open a Trust Account is a commercial decision for the banks.

Technical Staff are of the view that the extant requirement should be maintained as it reflects best practice and has been a requirement since 1997. Further, where Members make all efforts to comply with paragraph 5.1 of APES 310, this could form part of any breach determination by the Professional Bodies. As such, Technical Staff do not propose any change to APES 310 for this matter.

A supportive comment was received regarding the inclusion of an example of a Limited Assurance Engagement Report in APES 310. As such, no change is required to APES 310.

APES GN 40 *Ethical Conflicts in the Workplace – Considerations for Member in Business*

An issue was raised in relation to APES GN 40 and whether paragraph 5.8 should (in addition to disclosure) also refer to prohibitions on the collection, use and storage of personal information under the *Privacy Act 1988* (Cth).

Paragraph 5.8 of APES GN 40 (and the section of the standard it is within, 'Disclosure of Information') is focused on disclosure. Technical Staff are of the view that APESB pronouncements are not required to replicate all provisions of laws and regulations. However, we note that this could be a useful reminder to Members. Therefore, it is proposed that the following footnote is added to paragraph 5.8 of APES GN 40 to remind Members of these other prohibitions:

Members in Business may be subject to other prohibitions under the Privacy Act 1988 (Cth), including, in relation to the collection, use and storage of personal information.

No change from ED 02/19 version

Technical Staff believe APES 310, APES 320, APES 325 and APES GN 41 can be issued based on the versions presented to the [Board in ED 02/19](#). Further, the only change proposed for APES GN 40 is the footnote referred to above.

Other than the matter noted above, as no further changes are proposed to these pronouncements, Technical Staff have not reproduced them in this agenda paper.

Recommendation

Subject to the Board's review comments, the Board approve the issue of the revised APES 310, APES 320, APES 325, APES GN 40 and APES GN 41.

Materials Presented

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| Agenda Item 11(a) | General Comments Table – ED 02/19 |
| Agenda Item 11(b) | Specific Comments Table (ED 02/19) in relation to APES 310 |
| Agenda Item 11(c) | Specific Comments Table (ED 02/19) in relation to APES 325 |
| Agenda Item 11(d) | Specific Comments Table (ED 02/19) in relation to APES GN 40 |

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