

12 July 2013

APESB issues revised APES 310 *Dealing with Client Monies*

Accounting Professional & Ethical Standards Board Limited (APESB) today announced the issue of the revised APES 310 *Dealing with Client Monies* (APES 310) to update the existing APES 310 (December 2010).

Please refer to Appendix 1 of this technical update for details of the revisions. The revised APES 310 will be effective for Engagements commencing on or after 1 October 2013.

The revised standard is available from APESB's website: www.apesb.org.au

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Appendix 1

Revision to APES 310 (Issued December 2010)

Accounting Professional & Ethical Standards Board Limited (APESB) has approved the following revisions to APES 310 *Dealing with Client Monies* which was originally issued In December 2010.

Paragraph Reference	Revisions
1.1	Accounting Professional & Ethical Standards Board Limited (APESB) issues professional standard APES 310 <i>Dealing with Client Monies</i> (the Standard), which is effective from 1 July 2011. This Standard supersedes APS 10 <i>Trust Accounts</i> and GN 3 <i>Operation of Trust Accounts</i> for Engagements commencing on or after 1 October 2013 and supersedes APES 310 <i>Dealing with Client Monies</i> issued in December 2010. Earlier adoption of this Standard is permitted.
1.5	This Standard does not apply where a Member in Public Practice is acting as a trustee or under a power of attorney, as in these circumstances the Member is not acting in a Client relationship. When acting in the capacity of an attorney or a trustee, the Member is required to comply with the obligations specified in the relevant trust deed or the power of attorney.
2	Professional Bodies means the Institute of Chartered Accountants in Australia, CPA Australia and the National Institute of <u>Public Accountants</u> .
2	Terms of Engagement means the terms and conditions that are agreed between the Client and the Member in Public Practice for the engagement.
4.3	The Client's instructions referred to in paragraph 4.2 should be in writing. To address risks associated with instructions including those received by email or other electronic means, the Member in Public Practice should develop administrative protocols that address matters including but not limited to: <ul style="list-style-type: none"> • <u>The authenticity of the instructions;</u> • <u>Acceptable timeframes for execution of instructions; and</u> • <u>Contingency procedures to be followed when the Member is not available to authorise transactions on behalf of the Client.</u>
4.34	It is preferable that a Client's instructions are in writing. Where a Client gives an oral instruction, a contemporaneous note should be made and kept on file by the Member in Public Practice recording the relevant details.
4.67	Subject to paragraph 4.78, a Member in Public Practice shall not obtain any benefit from Dealing with Client Monies, including benefits deriving from the deposit and/or investment of Client Monies, without prior written authority from the Client.
4.10	A Member in Public Practice who is acting as a trustee or under a power of attorney shall comply with the Member's legal and fiduciary duties as trustee or attorney when Dealing with Client Monies, and shall apply this Standard to the extent practicable.
5.4	A Member in Public Practice shall open and maintain a separate Trust Account where a Client requests one.

Paragraph Reference	Revisions
<u>6.9</u>	<u>Where any interest is earned on a Trust Account, the Member in Public Practice shall allocate interest to the credit of the relevant Client.</u>
<u>6.910</u>	A Member in Public Practice shall disburse Client Monies within 3 Business Days of receipt of instructions in respect of the disbursement or in accordance with the <u>T</u>erms of <u>E</u>ngagement.
<u>6.4011</u>	Only a Member in Public Practice, or any persons authorised in accordance with paragraph 6.4<u>2</u><u>1</u><u>3</u>, shall operate the Member's Trust Account.
<u>7.2</u>	A Member in Public Practice shall ensure that all interest earned on Trust Accounts is credited to the relevant Client's account.
<u>7.65</u>	<p>A Member in Public Practice shall keep Records in such a manner as to disclose clearly:</p> <ul style="list-style-type: none"> (a) the details of all transactions involving Client Monies, including: <ul style="list-style-type: none"> (i) details of all Client Monies paid direct to the Client, or to a third party nominated by the Client; (ii) details of all cheques received and endorsed by the Member for disbursement to the Client, or to a third party nominated by the Client; (iii) details of all electronic funds transfers of Monies received, and of Monies transferred direct to the Client, or to a third party nominated by the Client; and (iv) details of any errors in transactions involving Client Monies; (b) the details and basis of calculation of all interest earned on Client Monies held in a Trust Account and that the interest has been applied by the Member in accordance with paragraph 5.5(b) <u>6.9</u>; (c) the financial position of a Member's Trust Account and Client's Bank Account and the Client Monies therein; and (d) the signatories for each Client Bank Account authorised by the Client.
<u>7.87</u>	<p>A Member in Public Practice shall provide a statement containing details of the Member's application of Client Monies and any interest earned on Client Monies, either to the Client or to such other person as directed by the Client:</p> <ul style="list-style-type: none"> (a) in respect of all transactions, at least annually; (b) <u>a</u> upon completion of the matter requiring the maintenance of the Trust Account or Client Bank Account; (c) <u>b</u> in respect of any transaction, upon written request from the Client; or (d) <u>c</u> when a Trust Account or Client Bank Account is closed or if the Member's authority to operate a Client Bank Account is revoked; or <u>d</u> in respect of all transactions, at least annually unless the Member has communicated in writing details of the transactions during the year.

Paragraph Reference	Revisions
7.98	<p>A Member in Public Practice shall issue the statements referred to in:</p> <ul style="list-style-type: none"> (a) paragraphs 7.8(a) within 30 Business Days of the Applicable Year-End Date <u>7.7(a) and 7.7(c) within 25 Business Days;</u> (b) paragraphs 7.8(b) and 7.8(d) within 25 Business Days; <u>7.7(b) within 5 Business Days; and</u> (c) paragraph 7.8(c) within 5 Business Days <u>7.7(d) within 30 Business Days of the Applicable Year-End Date.</u>
7.409	<p><u>Where a Client receives the responsibility to prepare a reconciliation of the Client Bank Account statements directly from a Financial Institution, a does not rest with the Member in Public Practice, the Member shall provide to the Client details with a record of transactions undertaken on the Client Bank Account by the Member within 25 Business Days of the end of each month or as otherwise agreed with the Client.</u></p>
7.4410	<p><u>A Member in Public Practice who operates a Client Bank Account shall ensure, except when and has the Client also transacts business through responsibility to reconcile the Client Bank Account and receives statements directly from the Financial Institution, shall ensure that the Member's Records for the Client Bank Account are reconciled to the Financial Institution statements at least every 25 Business Days or as otherwise agreed with the Client. The Member shall take action to correct any difference or error identified during the reconciliation within 5 Business Days of such identification.</u></p>
7.11	<p><u>The resolution of differences or errors referred to in paragraph 7.10 may require the Member in Public Practice to obtain additional information from the Client, their Financial Institutions or other parties.</u></p>
7.12	<p><u>Subsequent to the Member in Public Practice taking action in accordance with paragraph 7.10 with the relevant parties, the Member shall take corrective action within 5 Business Days of receipt of the outstanding information.</u></p>
8.1	<p><u>Subject to legislative requirements, a A Member in Public Practice who Deals with Client Monies shall appoint another Member in Public Practice as Auditor of Client Monies and shall ensure that the Member's compliance with the requirements of this Standard is audited annually within 3 months of the Applicable Year-End Date.</u></p>
8.2	<p><u>A Member in Public Practice who Deals with Client Monies shall appoint another Member in Public Practice as Auditor of Client Monies to perform the audit pursuant to the requirements of this Standard.</u></p>
8.32	<p>Paragraphs 8.1 and 8.2 do not apply to a Member in Public Practice in circumstances where a Trust Account is audited in accordance with Trust Accounts Act 1973 (Qld) or similar legislative requirements.</p> <p><u>The scope of the audit required under paragraph 8.1 is reduced to the extent that an audit undertaken under legislation covers some of the subject matter required by this Standard. Where the scope of the audit undertaken under legislation covers all of the subject matter required by this Standard, the Member in Public Practice is not required to appoint another Member in Public Practice as Auditor of Client Monies.</u></p>

Paragraph Reference	Revisions
<u>8.3</u>	<u>Where the scope of the subject matter of the audit performed in accordance with legislation does not extend to all of the subject matter of an audit required by this Standard, the Member in Public Practice shall ensure that the Member in Public Practice appointed pursuant to paragraph 8.1 performs an audit of the subject matter that is not covered by the legislative audit.</u>
8.5	<p>A Member in Public Practice shall:</p> <ul style="list-style-type: none"> (a) allow the Member's Professional Body or the Auditor of Client Monies access to the Member's Records; and (b) assist the Member's Professional Body or the Auditor of Client Monies in the performance of their duties; and (c) <u>obtain the Client's authorisation prior to releasing the Client's information to the Auditor of Client Monies or to the Member's Professional Body.</u>
<u>8.6</u>	<u>Client authorisation required in accordance with paragraph 8.5(c) may be incorporated in the Terms of Engagement. Where the Member in Public Practice has obtained authorisation verbally, the Member should document the verbal authorisation. Where the Client refuses to authorise the release of its information, the Member should disclose this to the Auditor of Client Monies.</u>
<u>8.67</u>	A Member in Public Practice shall notify the applicable Professional Body and the Auditor of Client Monies within 5 Business Days of becoming aware of any Deficiency of Client Monies occurring in the Trust Account <u>or the Client Bank Account</u> along with details of corrective action taken by the Member.
<u>8.910</u>	<p>Where a Member in Public Practice ceases public practice and:</p> <ul style="list-style-type: none"> (a) another Member in Public Practice is willing to accept the transfer of obligations to transact Client Monies in accordance with this Standard, the Member ceasing public practice shall obtain the written consent of the Client prior to the transfer; or (b) no other Member in Public Practice is willing to accept the transfer of obligations to transact Client Monies or written consent in accordance with paragraph 8.910(a) has not been obtained, the Member or their legal representative shall return Client Monies to the Client.
<u>8.1011</u>	Where the circumstances described in paragraph 8.910 are applicable, a Member in Public Practice shall engage an Auditor of Client Monies to audit the Member's compliance with this Standard for the period where the Member was responsible for Client Monies which has not otherwise been subject to audit.
9.7	<p>An Auditor of Client Monies shall report to the Member's Professional Body within 10 Business Days of becoming aware of any material:</p> <ul style="list-style-type: none"> (a) failure by a Member to comply with paragraphs 6.1 or 6.910 of this Standard; (b) uncorrected error reflected in a statement issued by a Financial Institution; or (c) circumstances where Client Monies have not been transacted or maintained in accordance with this Standard.