

| APES 310 Dealing with Client Monies Issues Raised by Working Party Participants | | | | | |
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| Issue # | Stakeholders | Issue | Concern/query | Technical Staff Response | APESB Technical Staff Update October 2015 |
| STRUCTURE AND TERMINOLOGY | | | | | |
| 1 | CK/ET | The term "dealing" is an antiquated term that requires revision. | Terminology used in APES 310 should reflect contemporary terms. | We will explore an alternative term to use for "dealing". | TPB - refers to receiving or holding money on trust. ICAEW/ICAS - refer to Clients' Money Regulations Renaming the standard to "Client Monies" will have a positive impact in terms of a wider group of Members accessing and reading the standard to determine if it is applicable. The development of objectives of APES 310 will also assist with this process. Use of the term "Dealing with" in the body of the standard should be retained as it adequately captures the activities that APES 310 addresses. Reference to holding or receiving money is likely to be too restrictive. |
| 2 | SS | There are a number of paragraphs in APES 310 that will benefit from an update in terminology to reflect the use of technology. For example, section 6 which provides details around the processes for Dealing with Client Monies. | Section 6 of the standard adequately addresses cash and cheque deposits. Additional clarity is required in respect of electronic deposits. | Section 6 will be reviewed to assess whether the definitions/terms adequately address electronic deposits. | Refer to revised definition of Deals (Or Dealing) with Client Monies. As this impacts the definition of Client Monies it then has an impact throughout the standard. |
| 3 | SS | The manner in which the standard is currently drafted is not as clear as some other APESB pronouncements (e.g.. APES 305 <i>Terms of Engagement</i>). | APES 310 is important from a public interest perspective and accordingly should be reviewed to ensure that it clearly communicates the professional obligations of the Member in Public Practice. | This comment to be explored further to identify which areas of the standard is not clear to stakeholders. Thereafter an assessment will be made whether the standard requires revision. | APES 310 has been revised and amended where necessary for consistency with other APESB pronouncements. |

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| SCOPE AND APPLICATION | | | | | |
| 4 | CK/ET | Awareness of APES 310 Quality review processes have identified that there are a significant number of Members in Public Practice that are aware that audits of Client Monies are required. However, in certain instances some Members are still using the predecessor standard APS 10 <i>Trust Accounts</i> . | A number of Members are not aware that APS 10 has been superseded by the requirements of APES 310. | Awareness and understanding of the standard are considered Member education issues that are best addressed by the further enhancement or development of Professional Body education programs. APESB could consider writing a technical article for the respective journals of the Professional Bodies to raise member awareness. | No further comments. |
| 5 | CK/ET | A number of Members in Public Practice providing bookkeeping services do not realise that APES 310 must be complied with when they transact on Client Bank Accounts. | There were a number of issues that the working party participant raised in respect of the scope and application if /aoes 310: 1. Awareness of APES 310. The participant acknowledged that this falls to the membership body being responsible for promoting awareness and application to its Members. 2. The cost impost to Members for dealing with Client Monies audit may be disproportionate to the fees generated from the services provided. The audit requirements associated with APES 310 introduce significant costs to a sole practitioner who is providing bookkeeping services in a part-time capacity. 3. In the instance a financial audit is performed. Members are querying whether this audit may be extended to cover the requirements of APES 310. | 1. Awareness and understanding of the standard are considered Member education issues that are best addressed by further enhancement or development of Professional Body education programs. APESB could consider writing a technical article for the respective journals of the Professional Bodies to raise member awareness. 2 and 3. Where financial audits are completed for a Client for another purpose, consideration could be given to engage the auditor to sign off on APES 310 compliance as well. While this may be an efficient approach, this approach would still require two opinions to be issued and the agreement of the various parties concerned. | Scope of the standard clarified by the proposed paragraph 1.7. |
| 6 | HT | Members in Public Practice are commonly unaware that the standard applies when a Member acts on the Client's authority to transact on a Client Bank Account. | In these circumstances, the Member in Public Practice will not comply with the professional obligations imposed under APES 310 for Client Bank Accounts and thus will be in breach of the standard. | Awareness and understanding of the standard are considered Member education issues that are best addressed by the further enhancement or development of Professional Body education programs. APESB could consider writing a technical article for the respective journals of the Professional Bodies to raise member awareness. | No further comments. |

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| 7 | SS | It is unclear whether all Members in Public Practice understand the nature of APES 310 and when it applies to them. Additional guidance throughout APES 310 may be beneficial in particular to Members operating in smaller practices who are not aware of the standard or that it is applicable to their circumstances. | A working party participant suggested that the introduction of a requirement that a Member in Public Practice assert compliance with APES 310 may resolve this issue. This is likely to encourage Members to review and understand the requirements of the standard. | Consider whether further clarity around the definition of Dealing with Client Monies would be beneficial in addressing this issue. | Additional guidance has been incorporated into APES 310. Refer also to comments at Issue 1 above. |
| 8 | CK/ET | The use of a Client's login details to access bank accounts is a topic that should be addressed by way of guidance in APES 310. | Sharing of Client login details is not in compliance with general banking regulations as passwords and login details should be specific to the person who is authorising the transaction. | Additional guidance to be considered for inclusion in the Standard. | Refer to the new proposed paragraph 4.5 on access controls. |

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| 9 | CK/ET/RF | <p>Impact of dual authority on Client Bank Accounts Where a Member in Public Practice transacts on a Client Bank Account with the Client and the Client's authorisation is required for the transaction to occur (compared to where the Member is authorised to transact on an account in isolation), consideration needs to be given as to whether these circumstances should fall within the scope of APES 310.</p> | <p>The working party participant noted that if a transaction requires the signature of the Client whether this should fall outside the scope of APES 310 (ie the Client is one of the signatories). The participant noted that the standard's focus is to ensure that the Member is transacting in accordance with the Client's instructions when dealing with their money. Accordingly, with the Client being a signatory the question has been raised as to whether the responsibility and risk fall with the Client as they are authorising a transaction the moment they co-sign?</p> | <p>As currently drafted, APES 310 applies where a Member is acting on their own or together with the Client to authorise transactions of Client Monies. In both instances, the standard applies.</p> <p>Where an accountant is engaged by a Client to act as a co-signatory on a Client Bank Account, the accountant is entrusted with some responsibility for that account. Accordingly this should fall within the scope of APES 310 as the standard provides a safeguard to protect the accountant and their reputation when transacting Client Monies.</p> <p>Conversely, where the accountant has no responsibility for the authorisation of Client Monies and is merely preparing the transactions for subsequent Client approval, the working party consider that this should not be within the scope of APES 310.</p> <p>It should be noted that the previous APS 10 (issued 1997) considered whether the money was held or received in the case of or in connection with providing a public accounting service. To exclude circumstances where the Client is a co-signatory is a dilution of the requirements that have existed for nearly two decades.</p> | <p>This issue has been included in Agenda Item 4(a) of the November 2015 meeting and the Board's feedback requested.</p> |

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| 10 | SS | <p>Implications of APES 310 for Financial Planners</p> <p>A product is being developed to provide the practitioner with a product that sources the best term deposit rate on behalf of their Client. The practitioner is able to transact on behalf of the Client, selecting the best term deposit rate. The remuneration structure would involve the practitioner being paid directly from the Client's Bank Account. The product will advance in the future to enable the practitioner to transact on behalf of the Client for other financial products (managed investments etc.). Under this scenario, there is the need to be compliant with the <i>Corporations Act 2001</i>, ASIC requirements and APES 230.</p> | <p>How will APES 310 deal with this scenario especially given more practitioners are moving into providing financial planning services?</p> <p>What are the implications of the revised APES 310 on transacting on behalf of Clients using this and other emerging procedures? Should these types of transactions fall within the scope of the Standard?</p> | <p>Paragraph 7.1 of APES 230 <i>Financial Planning Services</i> mandates that a Member in Public Practice who holds, receives or disburses Client monies, or operates a Client's bank account(s) shall comply with APES 310 <i>Dealing with Client Monies</i>.</p> <p>The current definition of Dealing with Client Monies refers to holding, receiving or disbursing Client Monies.</p> | No further comments. |
| 11 | RF | <p>Members acting as guardians of trusts</p> <p>Where a Member in Public Practice acts as a trustee (for example where a widow appoints a Member for her deceased husband's estate) further clarification is required to ensure Members understand that this situation is not considered within the scope of APES 310.</p> | <p>In these situations there will be a trust deed which will stipulate how to deal with the Client Monies and it is quite possible that the requirements of the trust deed are different to the requirements of APES 310.</p> | <p>Paragraph 1.5 of the existing standard (refer paragraph 1.6 in proposed standard) addresses this issue.</p> | No further comments. |

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| HOLDING AND RECEIVING CLIENT MONIES | | | | | |
| 12 | HT | The fundamental rules around the allocation of interest to Client Bank Accounts are considered appropriate. However, some clarity is required in respect of the manner in which interest is credited to the Client Bank Account. | APES 310 should be drafted in a manner that allows modern technology to allocate interest to Client Bank Accounts on an individual transactional basis. | In certain instances bank records may not readily facilitate this allocation. However, this may be achievable by various software systems used by Members in Public Practice and their Clients. Further, paragraph 6.9 of existing APES 310 (Paragraph 6.11 in proposed standard) does not specify that this procedure should be done manually. | Additional text to paragraph 6.11 to clarify this obligation. |
| 13 | HT | Paragraph 6.1 requires the Member in Public Practice to deposit Client Monies into a Financial Institution within 3 Business Days of receipt unless paragraph 6.7 applies (where funds cannot be deposited into a Financial Institution the Member in Public Practice shall safeguard the Monies and issue an acknowledgement to the Client within 21 Business Days). Some Firms have indicated that the 3 Business Day timeframe can be difficult to achieve where the sources of funds have not been identified. | CAANZ have been advising Members in Public Practice that the timeframe applies after the Member in Public Practice has identified who the funds belong to. Additional guidance in APES 310 should be provided to clarify this matter. | Consider developing additional guidance to clarify the requirements in respect of the 3 Business Days timeframe in paragraph 6.1 of existing APES 310 (paragraph 6.2 in revised). | Additional guidance paragraph 6.2 added to the proposed standard. |
| 14 | HT | A number of financial institutions do not specify in their terms and conditions that there is no right of setoff when Trust Accounts are opened. | Paragraph 5.4(a) of APES 310 requires that the terms and conditions of the Trust Account specify there is no right of set-off. | This matter is currently being discussed with the Australian Bankers Association (ABA). | No further comments |

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| Issue # | Stakeholders | Issue | Concern/query | Technical Staff Response | APESB Technical Staff Update October 2015 |
| 15 | SS | Unclaimed monies Members in Public Practice would benefit from additional guidance on unclaimed monies and compliance with legislative requirements in this area. Members need more guidance in this area to provide an understanding of what to do where unclaimed monies arise. The importance of this guidance is increasing as there are a number of companies that no longer utilise a separate company bank account; a trust account is the only account that is maintained. | Clarity is required around how unclaimed monies should be treated. | There is state-based legislation that deals with unclaimed monies and it is probably not necessary to deal with this topic in APES 310 other than providing a general cross reference. | Paragraph 6.5 already makes reference to "relevant legislation" |
| 16 | HT | APES 310 does not currently include any guidance in respect of unclaimed monies when the amount is below the threshold for unclaimed monies legislative requirements. | CAANZ commonly advise their Members in Public Practice to issue a credit note for the amount and return funds to the general account; however, guidance in this area would be beneficial. | Consider developing additional guidance to clarify requirements in respect of unclaimed monies that fall below thresholds for unclaimed monies legislative requirements. | Additional guidance provided in proposed new paragraph 6.6 to consider donating the amounts below the threshold to charity. |

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| DOCUMENTATION | | | | | |
| 17 | GG | The requirements of paragraph 7.7(d) state that a Member in Public Practice shall provide a statement detailing the application of Client Monies and interest earned in respect of all transactions, at least annually (unless previously communicated during the year). Paragraph 7.8(c) specifies that this must be done within 30 Business Days of the applicable year end. | A working party participant advised that his Firm provides Clients with quarterly reports that include bank account statements throughout the year. At year end however, the 30 Business Day deadline is difficult to achieve as the quarterly reporting packages that are sent to Clients are very comprehensive. This makes it challenging to finalise within the 30 Business Day timeframe. The result is that the for first 3 quarters of the year, the Firm is in compliance with APES 310 and then for the final quarter's transactions, there is a potential breach of APES 310. | As currently drafted, the 30 Business Day timeframe included in APES 310 is consistent with that adopted by a few other major jurisdictions. Possible approaches for resolving the problem are: 1. to increase the timeframe for reporting in paragraph 7.8(c); or 2. to allow those that have been reporting regularly during the year to report later than the 30 Business Day period; or 3. to allow an alternative reporting period where the Client has agreed | Clarification of requirements included in paragraphs 7.7 and 7.8 to provide additional time where there has been communication during the year. |
| APES 310 AUDITS | | | | | |
| 18 | CK/ET | Some Members in Public Practice who are auditors of APES 310 are seeking clarity in respect of audit requirements. These Members consider the audit requirements in APES 310 to be too general and have experienced difficulties with understanding the specific steps required to perform the audit. It was suggested that greater clarity may be achieved by way of an appendix to the standard that contains guidelines in terms of audit procedures. | Audit guidelines are of particular importance as many of the auditors are fellow practitioners and often the APES 310 audit may be the only audit/assurance engagement that they complete. | CPA Australia use SEAM (Small Entities Audit Manual) as a guide for auditors. CAANZ have developed an audit program for use by Members. The development of appropriate audit tools for Members is a matter for the Professional Bodies. Similar to the Auditor Independence Guide, the Professional Bodies could consider developing guidance to assist Members perform APES 310 audits. | No further comments |
| 19 | SS | Professional Body quality review processes have identified a number of instances where there is inadequate evidence of planning and other procedures required under the auditing standards. | Members in Public Practice who are auditors of APES 310 would benefit from a clear set of guidelines attached to the standard that specify the audit procedures. | Refer comments above. | No further comments |

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| 20 | CK/ET | Access to Client Records Members in Public Practice have been able to obtain Clients' signatures on initial engagement letters. However, difficulties have been encountered when Members request access to documentation from the Client for the purposes of an APES 310 audit. | Members are experiencing difficulties obtaining permission from their Client to allow for an APES 310 audit to occur. Members may potentially breach the confidentiality requirements of APES 110 by complying with APES 310. | The issue was explored during the working party discussions and has been developed for inclusion in the Standard. | Guidance added at paragraph 8.6. |
| 21 | CK/ET | Members in Public Practice providing bookkeeping services are having difficulties obtaining their Client's permission for auditors to examine their books due to the fear of audit. Members may then potentially breach the confidentiality requirements of APES 110 by complying with APES 310. It was also noted that in some instances, documentation is kept at the Client's premises which introduces additional difficulties when providing auditors with access to work papers for audit testing. | Members may potentially breach the confidentiality requirements of APES 110 by complying with APES 310. | Refer comments above. | Guidance added at paragraph 8.6. |

| Stakeholders | | |
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| GG | Geoff Gray | CAANZ nominee |
| HT | Hana Thompson | CAANZ nominee |
| SS | Sonya Sinclair | IPA nominee |
| CK | Caroline Karavias | CPA Australia nominee |
| RF | Rob Florence | CPA Australia nominee |
| ET | Eva Tsahuridu | CPA Australia nominee |