

AGENDA PAPER

Item Number: 7
Date of Meeting: 23 March 2010
Subject: ED 01/10 Dealing with Client Monies

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Purpose

To obtain Board approval to issue Exposure Draft ED 01/10 Proposed Standard: *APES 310 Dealing with Client Monies* for public comment.

Background

APS 10 *Trust Accounts* (APS 10) was issued in December 2003 by the National Councils of the Institute of Chartered Accountants in Australia and the Australian Society of Certified Practising Accountants (CPA Australia) to establish the responsibility of members who hold or receive Trust Money. To assist members with APS 10 compliance, the professional bodies also issued GN3 – Operation of Trust Accounts.

In May 2007, the APESB approved a project proposal for the re-development and rebranding of Miscellaneous Professional Statement APS 10 as APES 310 *Client Monies and Auditing Trust Accounts*. Following this, an exposure draft was prepared and presented in August 2007. The Board's initial view was that the proposed pronouncement contained mainly procedural matters and did not contain principles similar to other APESB pronouncements. As a result, the matter was then referred back to the professional bodies for further consideration.

The professional bodies reviewed this request and made several submissions during 2008 that stated that there are matters in APS 10 that can be drafted in a principles based manner which can be included in a professional standard. The Board then instructed technical staff to redraft APS 10 in a principles based manner for the consideration of the Board.

In 2009 as part of the APES 310 ED development process, technical staff prepared and presented to the Board a matrix of circumstances where a Member in Public Practice will transact Client Monies and compared these requirements against the *Legal Professions Act 2004 (Vic)*. Additionally, a comparative review of the requirements of a proposed draft APES 310 ED against the existing APS 10 and NZICA's PS-2 *Client Monies* was presented at the September 2009 Board Meeting.

At the September 2009 Board Meeting, the Board agreed that a working party be formed to progress the development of the exposure draft. The Board discussed further draft versions of the APES 310 ED at its meetings on 8 February 2010 and 10 March 2010.

March 2010 update

The attached revised draft of APES 310 ED reflects further work undertaken by the working party in response to the Board's review comments. The key changes are:

- The title of the proposed standard has been changed to "Dealing with Client Monies";
- Inclusion of the definitions of Assurance Engagement, Audit Engagement, Deals or Dealing with Client Monies, Engagement and Reasonable Assurance Engagement;
- Amendments to the definition of Trust Account;
- Changing terminology in the proposed standard to reflect that the audit performed will be a compliance audit;
- Amendments to the Compliance Audit Report; and
- Other editorials as reflected in the marked up version 1M of APES 310 ED.

Staff Recommendation

The Board approve the issue of Exposure Draft ED 01/10 Proposed Standard: *APES 310 Dealing with Client Monies* for public comment for a period of 60 days.

Materials Presented

- Proposed Exposure Draft ED 01/10 Proposed Standard: APES 310 *Dealing with Client Monies* (marked-up version 1M, 17 March 2010)
- Proposed Exposure Draft ED 01/10 Proposed Standard: APES 310 *Dealing with Client Monies* (clean version 1M, 17 March 2010)

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Date: 17 March 2010