

18th August 2023

Chief Executive Officer
Accounting Professional and Ethical Standards Board Limited (APESB)
Level 11, 99 William Street
Melbourne Victoria 3000
Australia

By email: sub@apesb.org.au

Dear Channa

Proposed amendments to APES 310 Client Monies ED 04/23

CPA Australia is Australia's leading professional accounting body and one of the largest in the world. We represent the diverse interests of more than 173,000 members in over 100 countries and regions. We make this submission in response to the Accounting Professional & Ethical Standards Board Limited (APESB) exposure draft on proposed amendments to APES 310 *Client Monies* (APES 310) on behalf of our members and in the broader public interest.

Overall, CPA Australia supports the APESB's proposed amendments to APES 310 *Client Monies*, including those to reflect changes based on the revised Quality Management standards by APESB and AUASB and to align wording in the standards with relevant sections of APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)*.

Our detailed responses regarding the request for specific comments around practical issues being encountered in complying with the requirements of this standard and any processes that may hinder the operation of this standard are contained in the **Attachment**.

If you have any queries about this submission, please don't hesitate to contact Keddie Waller, Senior Manager Public Practice, Financial Planning and Ethics Policy on Keddie.waller@cpaaustralia.com.au or 0401 716 083.

Yours sincerely



Elinor Kasapidis
Head of Policy and Advocacy

Practical issues being experienced when seeking to comply with APES 310 *Client Monies*

Opening a *Trust Account*

Paragraph 5.1 of APES 310 *Client Monies* (APES 310) requires a *Member in Public Practice* to open a *Trust Account* at a *Financial Institution* in the name of the *Member* or the *Member's Firm* and include the term '*Trust Account*' in the title.

The eligibility requirements of many APRA regulated *Financial Institutions* require that the *Member* of the professional association must be required by law to open a statutory trust account and include the term '*Trust Account*' in its title. As there is no existing legal requirement for professional accountants to establish a *Trust Account*, they face ongoing challenges to comply with this requirement.

CPA Australia recommends that APES 310 is amended to remove the specific obligation in paragraph 5.1 to include the term '*Trust Account*' in the title of the account and rather permit members to use an alternative naming convention that clearly differentiates the account from the firm's other operating accounts.

Paragraph 5.3 also requires a *Member in Public Practice* to ensure the *Trust Account* does not have a set-off arrangement, which is an important obligation to protect client monies. However, we understand that this is a common condition for bank accounts and as a result, it can be a challenge to open an account without this condition. To address this risk, APES 310 could be amended to require a *Member in Public Practice* to open an account for the purposes of handling client monies with a financial institution where no other firm accounts are held.

Requirement for a Limited Assurance Engagement for co-authorised transactions in a Client Bank Account

Paragraph 7.3 requires a *Member in Public Practice* who can only co-authorise transactions in a *Client Bank Account* in conjunction with the *Client* to engage an *Auditor of Client Monies* to perform a *Limited Assurance Engagement*.

This practice can be an important risk control for some Clients in managing their business's finances, as the *Member* is external to the management of the business. However, we are concerned that the costs associated with the *Limited Assurance Engagement*, which paragraph 7.5 requires the *Member* to bear, may result in *Members* declining these engagements.

To address this issue, but still manage the risks associated with these engagements, we believe the following could be considered as alternatives to requiring a *Limited Assurance Engagement*:

- requiring the *Member in Public Practice* to detail the processes for the Firm to address associated risks in their Risk Management Framework (APES 325 *Risk Management for Firms*) noting this may include an external review at the request of the *Client*, and
- specific disclosure in the engagement letter of the risks of co-authorised transactions and the responsibilities of the *Client* to reduce these risks to an acceptable level.