



The Institute of
Chartered Accountants
in Australia



Joint Guidance Notes

GN 3 - Operation of Trust Accounts

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APPENDICES

Appendix 1 - Trust Account Authority Letter

1. Background

- 1.1 The Guidance Notes set out hereunder are jointly issued by CPA Australia and The Institute of Chartered Accountants in Australia (“the Institute”) to assist *Members* to comply with the

requirements of APS 10 – “*Trust Accounts*”. These Guidance Notes do not replace APS 10 – “*Trust Accounts*”, nor interpret the requirements of APS 10, the Constitution/Charter, By-Laws, Code of Professional Conduct or other Standards of CPA Australia/the Institute.

2. Trust Money

2.1 APS 10 – “*Trust Accounts*” defines *Trust Money* as follows:

- (a) any *Money* held or received on behalf of any person by the *Member* or any of the *Member’s Personnel*, in the course of or in connection with offering or performing public accounting services, including financial planning, investment advisory and taxation services; and
- (b) where the *Member* or the *Member’s Personnel* have no present entitlement to such *Money*.’

2.2 Examples of *Trust Money* include but are not limited to:

- (a) *Client* tax refund proceeds;
- (b) *Money* held or received in respect of insolvency or bankruptcy engagements (other than professional fees), but subject to the proviso as stated in paragraph 3 of APS 10 – “*Trust Accounts*” ;
- (c) *Money* advanced by the *Client* for costs associated with the incorporation of a company, the preparation of a trust deed or other services;
- (d) rent collected on behalf of a *Client*;
- (e) *Money* held or received in advance from a *Client* to meet future liabilities, including *Client’s* income tax;
- (f) prepaid professional fees for a *Member’s* services, where no request for payment, in the form of an account or otherwise, has been made to the *Client*;
- (g) *Member* acting in the capacity of an accountant of a deceased estate; and
- (h) interest bearing accounts held on behalf of the *Client*.

2.3 *Trust Money* does **not** include:

- (a) *Money* held in circumstances where the *Member* is acting:
 - (i) as a trustee in accordance with a properly constituted trust deed; or
 - (ii) under power of attorney; or
 - (iii) as an administrator;and where, in each instance, a separate bank account in the *Client’s* name is used.
- (b) *Trade Dollars* held or received on behalf of a *Client*.

3. Trade Dollars

3.1 APS 10 – “*Trust Accounts*” defines *Trade Dollars* as follows:

‘ “*Trade Dollar(s)*” means an accounting unit with an assigned value used to record the value of goods and services traded between participants of a trade exchange eg. bartercard dollars, or credit units.’

3.2 Even though *Trade Dollars* do not form part of the definition of *Trust Money* pursuant to APS 10 – “*Trust Accounts*”, it is nevertheless strongly recommended that they be safeguarded and recorded. It is therefore suggested that *Members* keep adequately documented records when dealing with *Trade Dollars* held or received on behalf of a *Client* (Refer to “Receipt of *Money*” paragraph 5).

4. Trust Account Records

4.1 APS 10 – “*Trust Accounts*” defines *Trust Account Records* as follows:

‘ “*Trust Account Records*” means documentation evidencing the receipt, disbursement, disposal or other dealing with *Trust Money*.’

4.2 Examples of “*Trust Account Records*” include but are not limited to:

- (a) a register of *Trust Account* receipt forms;
- (b) consecutively machine numbered *Trust Account* receipt forms in duplicate;
- (c) *Trust Bank Account* deposit forms in duplicate;
- (d) *Trust Bank Account Cheque* butts;
- (e) *Trust Bank Account* statements;
- (f) *Trust Account* cash book;
- (g) *Trust Account* journal of consecutively machine numbered folios;
- (h) *Trust Account* ledger;
- (i) *Trust Account* investment ledger;
- (j) *Trust Account* cash book reconciliations as at month end with *Trust Account* ledger and *Trust Bank Account* statement;
- (k) Statement(s) of transactions.
- (l) Correspondence with the *Client* including Engagement and Authority letters.

5. RECEIPT OF MONEY

5.1 The information below is to provide guidance to *Members* relative to paragraphs 8 to 12 inclusive and paragraph 17 of APS 10 – “*Trust Accounts*”.

5.2 *Members* are required to document the receipt of *Money* from *Clients*. Recommended details to be documented include:

- Matter/file name

- Date *Money* received
- Date *Money* forwarded
- Drawer (if applicable)
- Payee
- Amount

5.3 Similar details should be recorded where a *Member* holds or receives *Trade Dollars* from a *Client*.

6. Operation of *Trust Bank Account(s)*

6.1 The following information will assist *Members* with the requirements of paragraphs 16 to 19 of APS 10 – “*Trust Accounts*”.

Client authority is required for *Trust Bank Account* transactions, pursuant to paragraph 16 of APS 10 – “*Trust Accounts*”. *Members* are referred to Appendix 1 for a sample *Trust Account* Authority letter.

(a) *Trust Bank Account Deposits*

A *Member* who makes a deposit into the *Trust Bank Account* should consider the following suggestions:

- (i) a bank deposit record should be prepared, recording the following particulars:
 - (a) the date of the deposit;
 - (b) the amount of the deposit;
 - (c) whether the deposit consists of *Cheques* or legal tender;
 - (d) in the case of *Cheques*, the name of the drawer, bank and branch and the amount of each *Cheque*;
 - (e) the name and account number of the *Trust Bank Account* into which the *Trust Account Money* is deposited;
 - (f) the number of the *Trust Account* receipt form given by the *Member* for the *Trust Account Money*; and
 - (g) the signature of the depositor.
- (ii) the bank deposit record is produced to the *Financial Institution* at the time the deposit is made, and is confirmed by the *Financial Institution*;
- (iii) In the case of *Money* credited directly into a bank account by *Electronic Funds Transfer*, the Queensland Trust Accounts Regulation 1999 requires that a document, other than a *Trust Bank Account* statement, is required to be provided by the *Financial Institution* into which the *Trust Account Money* is paid, acknowledging the receipt of the *Trust Account Money* into the *Trust Bank Account*.

(b) *Trust Account Receipts*

As soon as practicable after the receipt of *Trust Money*, the *Member* should consider the need or desirability to issue a receipt having the format and containing the following suggested details:

- (i) that receipts:
 - be in duplicate;
 - be machine numbered in series;
 - contain the *Member's* name and ABN number on whose behalf the receipt is given and the words "*Trust Account Receipt*" and include the following:
 - (a) the date of the receipt;
 - (b) the amount of *Money* received in words and figures and the form in which it was received;
 - (c) the name of the person from whom, and of the person on whose behalf, the *Money* is received;
 - (d) details identifying the ledger account to be credited;
 - (e) sufficient particulars identifying the purpose for which the *Money* is received;
 - (f) the signature of the person giving the receipt.
- (ii) that receipts be issued in numerical order of the series to which they belong. The original receipt to be delivered to the person from whom the *Trust Money* is received;
- (iii) that the following be retained:-
 - (a) an original receipt that is cancelled after issue;
 - (b) duplicate receipts.
- (iv) that duplicate receipt forms be headed 'Office Copy' or 'Duplicate Copy'.

7. Payments by *Cheque* and *Electronic Funds Transfer*

7.1 The following information will assist *Members* to comply with paragraphs 20 - 25 of APS 10- "*Trust Accounts*". It should be noted that State legislation, for example the Trust Account Act 1973 (Qld), imposes conditions on the ability to pay *Trust Money* by *Electronic Funds Transfer*.

Members could be held personally liable for any fraudulent withdrawal of *Client's Trust Money* by *Electronic Funds Transfer*.

7.2 For payment of *Trust Money* by *Cheque*, the *Member* should consider the following recommendations:

- (a) A *Trust Bank Account Cheque* should:
 - (i) be machine numbered in series;
 - (ii) include a crossing that has the effect of a direction to the drawee *Financial Institution* not to pay the *Cheque* otherwise than to a *Financial Institution*;
 - (iii) be marked "not negotiable";
 - (iv) be payable to a named payee and not drawn to cash;

- (v) contain the name of the *Member's* firm, its ABN and the expression "*Trust Account*"; and
- (vi) be signed by the *Member*, or by two (2) persons with delegated authority pursuant to Paragraph 22 of APS 10 – "*Trust Accounts*".

7.3 It is recommended that a *Member* draw *Cheques* in the numerical order of the series to which they belong and, in respect of each *Cheque* drawn, make and retain a record of the following:

- (a) the number and date of the *Cheque*, the name of the payee and the amount for which the *Cheque* is drawn;
- (b) details identifying the ledger account to be debited and the name of the person on whose behalf the *Cheque* is drawn;
- (c) particulars of the purpose for which the *Cheque* is drawn.

If the *Member* issues a *Trust Bank Account Cheque* for the payment of a *Financial Institution Cheque*, the *Member* must record in the *Trust Account* records the name of the *Financial Institution* to which the payment has been made and the name of the person to whom the *Financial Institution Cheque* has been paid.

7.4 An *Electronic Funds Transfer* is to be effected by, or under the direction or with the authority of:

- (a) the *Member*, or
- (b) two (2) persons with delegated authority pursuant to paragraph 22 of APS 10 – "*Trust Accounts*" to effect an *Electronic Funds Transfer* from the *Trust Bank Account* concerned.

7.5 The *Member* should ensure that, for each *Electronic Funds Transfer*, a record is kept of the following particulars:

- (a) the name of the person effecting the transfer and, if the transfer is effected under the direction or with the authority of some other person, of the person under whose direction or with whose authority the transfer is effected;
- (b) details identifying the ledger account debited and name of the person on whose behalf the amount is transferred;
- (c) brief particulars of the subject/matter and purpose for which the *Money* is transferred;
- (d) the reference number or other means of identification of the transfer;
- (e) the name or style of the bank account to which the *Money* is paid, its number and the identifying numbers of the receiving bank and its branch, the date of the transfer and the amount transferred.

8. *Trust Account Record Requirements*

Pursuant to paragraph 32 of APS 10 - "*Trust Accounts*", a *Member* is required to maintain *Trust Account Records*. Although it is recognised that the following record requirements would not apply in every case, the *Member* may consider the following and modify accordingly:

(a) *Trust Account Cash Book*

- (i) If a *Member* receives *Trust Money*, or pays *Trust Money*, the *Member* should, within two (2) working days after the day the *Trust Money* is received or paid, enter the following particulars in the *Trust Account* cash book:
 - (a) if *Trust Money* is received –
 - (i) the date the *Money* is received;
 - (ii) the name of the person from whom the *Money* is received;
 - (iii) the name of the person on whose behalf the *Money* is received;
 - (iv) a brief description of the matter for which the *Money* is received;
 - (v) the amount received;
 - (vi) the date the *Trust Money* is paid into the *Trust Account*;
 - (b) if *Trust Money* is paid:
 - (i) date the *Money* is paid;
 - (ii) name of the person to whom the *Money* is paid;
 - (iii) name of the person on whose behalf the *Money* is paid;
 - (iv) brief description of the matter for which the *Money* is paid; and
 - (v) amount paid.
- (ii) However, if a *Member* receives *Trust Money* by way of *Electronic Funds Transfer*, the *Member* may enter the particulars in the *Trust Account* cash book on the day the *Member* becomes aware of the deposit.

(b) Trust Account Cash Book – Reconciliation

- (i) A *Member* should, as soon as practicable after the end of each month –
 - (a) reconcile the *Trust Account* cash book balance at the end of the month with the *Trust Account* ledger; and
 - (b) reconcile the *Trust Bank Account* statement balance with the *Trust Account* cash book balance at the end of the month.
- (ii) The *Trust Bank Account* reconciliation should contain the following particulars –
 - (a) the balance of the *Trust Bank Account* at the end of the month;
 - (b) the amount of *Trust Account Money* in transit at the end of the month and the date the *Money* was received;
 - (c) the amount of each outstanding deposit at the end of the month and the dates the amounts were received and deposited;
 - (d) details of any outstanding *Cheques* at the end of the month, including –
 - (i) the *Cheque* number; and
 - (ii) the amount and date;
 - (e) the balance of the *Trust Account* at the end of the month as shown in the *Trust Account* cash book.

(c) Trust Account Ledger

- (i) A *Member* should keep a separate ledger account in the *Trust Account* ledger for each matter conducted for each person on whose behalf the *Member* receives *Trust Money*.

- (ii) (a) Each trust ledger account should contain the following particulars:
 - (i) the surname and initials of the person on whose behalf the *Trust Money* is received or paid;
 - (ii) a brief description of the matter for which the *Trust Money* is received or paid.
- (b) Also, each trust ledger account should contain the following particulars for each entry in the ledger account:
 - (i) the date the *Trust Money* is received or paid;
 - (ii) the name of the person from whom the *Trust Money* is received or to whom the *Trust Money* is paid;
 - (iii) a brief description of the matter for which the *Trust Money* is received or paid;
 - (iv) the amount received or paid;
 - (v) if *Trust Money* is received – the receipt number;
 - (vi) if *Trust Money* is paid – the *Cheque* number;
 - (vii) the balance of the Trust ledger account after each entry;
 - (viii) if *Trust Money* is transferred to the trust ledger account from another trust ledger account by journal entry – the number of the *Trust Account* journal folio on which the transfer is recorded.
- (iii) A *Member* should ensure that each entry in the *Trust Account* cash book is posted to the trust ledger account of the person on whose behalf the *Trust Money* is received or paid within two (2) working days after the day the *Trust Money* is received or paid.

(d) Trust Account Journals

- (i) A *Member* should ensure that a *Trust Account* journal includes the following particulars for each entry in the journal:
 - (a) the date the *Trust Money* is transferred;
 - (b) the name of the *Client* from whose trust ledger account the *Money* is transferred;
 - (c) the name of the person to whose trust ledger account the *Money* is transferred;
 - (d) the amount of *Trust Money* transferred;
 - (e) a description of the matter conducted; and
 - (f) the signature of the Trustee, or authorised signatory to the *Trust Bank Account* authorising the transfer.

(e) Computer System Records

- (i) The *Member* should ensure that:
 - (a) a computer system has enough capacity and backup capability to record the information required by APS 10 - "*Trust Accounts*" to be kept;
 - (b) the computer system is backed-up at least weekly;
 - (c) a computer disk, or other electronic device used to store the backed-up information, is kept in a fire-proof location that is unaffected by magnetic interference or other thing that may adversely affect the stored information;
 - (d) the computer system does not allow the deletion of a trust ledger account unless:
 - (i) the account has a zero balance; and
 - (ii) a record of the account, as it was immediately before its deletion, is kept in a visible form;
 - (e) an amendment to the particulars of a transaction recorded on the computer system is made by a separate transaction recorded on the system;
 - (f) a report, or each page or entry in a report generated by the computer system is numbered sequentially under the computer program control in a way that enables the completeness of the record to be conveniently audited;

- (g) if an entry in a trust ledger account results in a debit balance in the account – a contemporaneous record of the transaction is made and the computer system is able to produce, in a visible form and on demand, a separate chronological report of each transaction that results in a debit balance; and
 - (h) a record of information produced by the computer in a visible form is produced in chronological sequence.
- (ii) The computer system should be capable of keeping a record in chronological sequence of any change (by creation, amendment or deletion) to the following information
- (a) the name and address of a *Client* for whom *Trust Money* is held;
 - (b) the description of a matter being conducted by the *Member*;
 - (c) the amount of *Trust Money* held for a *Client* by the *Member*;
 - (d) the *Financial Institution* account number of a *Trust Bank Account*.
- (iii) The *Member* should, as soon as practicable after the end of each month, make a print-out of the following:
- (a) a cash book containing details of receipts and payments for the month including the cash book balance at the end of the month;
 - (b) if a trust ledger account is kept by a computerised accounting system – the balance of the ledger account;
 - (c) if a *Trust Account* investment ledger is kept by a computerised accounting system – the reconciliation of the investment ledger;
 - (d) if a *Trust Account Financial Institution* statement balance is reconciled with the *Trust Account* cash book balance by a computerised account system – the reconciliation of the *Financial Institution* statement.
- (iv) If a *Trust Account* ledger or *Trust Account* investment ledger is kept by a computerised accounting system, a *Member* should, immediately before a trust ledger account or investment ledger account is deleted from the computer system-
- (a) make a print-out of the ledger account; and
 - (b) keep the print-out securely in the *Member's* records.

APPENDIX 1

TRUST ACCOUNT AUTHORITY LETTER

Pursuant to Paragraph 16.3 of APS 10 – “*Trust Accounts*”, the following is a sample *Trust Account* Authority letter for *Members* to submit to those *Clients* for whom a *Trust Account* is held.

[To be completed by the *Client*]

I/We [name of *Client*] of [address of *Client*] hereby authorise [Member's name or firm's name] of [address] to pay immediately any *Trust Money* received by [them/him/her] on my account in respect to the engagement referred to below into a *Trust Bank Account*, as defined hereunder, operated by [them/him/her] with [name and address of the *Financial Institution* where the *Trust Bank Account* is held].

(Describe the nature of the engagement to be performed by the accountant).

I/We further authorise [them/him/her] in consideration of the completion of the engagement and after being notified in writing of the amount of such fee for the work involved in the engagement referred to above, to deduct from *Trust Money* so held the amount of the account rendered and to:

- (a) forward the balance of the account to me/us;
- (b) invest the same with for the period, or
- (c) other (specify).

I/We further authorise CPA Australia (“CPA”)/The Institute of Chartered Accountants in Australia (the Institute) to access the *Trust Account(s)*, *Trust Bank Account(s)* and *Trust Account Records* for the purposes of *Trust Account* inspection, quality review or disciplinary proceedings by CPA/the Institute.

This authority is strictly limited to the engagement referred to in the body of this document.

Signed by the *Client*

Signed for and on behalf of the [*Client*] [Corporate Execution]

Date _____

For the purpose of APS 10 – “*Trust Accounts*” the following definitions apply:

“*Trust Account*” means accounts for the receipt, disbursement, disposal or other dealing of *Trust Money*. The mere capacity to operate a *Client’s* account with a *Financial Institution*, either alone or jointly, does not necessarily constitute the operation of a *Trust Account*.

“*Trust Account Records*” means documentation evidencing the receipt, disbursement, disposal or other dealing with *Trust Money*.

“*Trust Bank Account*” means any account with a *Financial Institution* utilised by the *Member* or *Personnel* for the receipt, disbursement, disposal or other dealing of *Trust Money*.

“*Trust Money*” means;

- (a) any *Money* held or received on behalf of any person by the *Member* or any of the *Member’s Personnel*, in the course of or in connection with offering or performing public accounting services, including financial planning, investment advisory and taxation services; and
- (b) where the *Member* or the *Member’s Personnel* have no present entitlement to such *Money*.