

15 February 2018



The Chairman  
Accounting Professional & Ethical Standards Board  
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Dear Nicola

### **Exposure Draft 05/17 - Proposed Standard: APES 310 Client Monies**

CPA Australia represents the diverse interests of more than 160,000 members in 118 countries. We make this submission on behalf of our members and in the broader public interest.

CPA Australia is broadly supportive of amendments proposed to the existing standard in the exposure draft and offers some additional matters to be considered by the Board. We are supportive of the clarification provided by the separation and enhancement of the requirements and guidance for trust and client bank accounts provided in Section 5-Specific obligations in relation to Trust Accounts, and Section 6-Specific obligations in relation to Client Bank Accounts.

We support the inclusion of paragraph 7.3 as it will assist our members in managing the costs associated with complying with APES 310 by allowing the member to engage an auditor of client monies to perform a limited assurance engagement rather than a reasonable assurance engagement under ASAE 3100. While CPA Australia welcomes the relief provided by paragraph 7.3, we continue to consider that a member who only has authority to co-authorise transactions should be excluded from the requirements of paragraph 7.1 as the member would be subject to the internal controls of the client.

We welcome the inclusion of the requirements in paragraphs 4.13 and 8.3 to address responding to non-compliance with laws and regulations (NOCLAR) which harmonise with APES 110 section 225 on NOCLAR for members in public practice.

We acknowledge the efforts that the APESB has made in attempting to find a solution with respect to accountants being able to open trust accounts. Opening a bank account as a "trust account" by accountants is not provided for in legislation or regulations, except in Queensland. Other States and Territories only legislate for solicitors and real estate agents to operate trust accounts. Consequently, the Australian Banking Association has indicated that the majority of its member banks will not open a trust account for an accountant.

Paragraph 5.1, as a requirement, may not be able to be complied with due to a lack of legislation to support the member opening an account with "Trust Account" in its title. An alternative approach would be to remove the requirement to include the term "trust account" from the title. However, it is CPA Australia's view that the most appropriate solution would be for legislation to be enacted to require accountants to open a trust account if they deal with client monies. CPA Australia would be pleased to support the APESB in pursuit of this outcome.

CPA Australia welcomes the removal of the requirement in paragraph 7.9 for the member in public practice to obtain approval from their professional body for the appointment of the auditor of client monies, but we question the objective of the new requirement to notify the professional body of that appointment.

We suggest that there may be two possible objectives for notification of a change of auditor. These are either to enable the professional body to identify any problems with the previous audit which may require follow up, or to enable assessment of the appropriateness of the new auditor. If there is an alternative objective which we have overlooked, we would appreciate it if the APESB could identify that objective so that consideration can be given as to whether the notification of a change of auditor will be effective in achieving that objective.

We consider that either of the identified objectives above may be met more effectively through other means. If problems existed with the previous audit this is most effectively identified by the new auditor's acceptance procedures set out in paragraph 8.3, including determining whether there are any reasons for not accepting the engagement and communicating with the existing auditor, if permitted to do so. If the objective is to assess the appropriateness of the new auditor, it is unlikely that this objective will be achieved by paragraph 7.8 due to Professional Conduct processes within the professional bodies, Privacy Law and By-Law requirements.

We would suggest a more effective approach would be to include criteria in the standard for the member engaging the auditor of client monies to conduct that due diligence. The member's compliance with paragraph 7.8 will be assessed at their periodic quality review by the member's professional body and may be incorporated in standard procedures in the engagement letter from the new auditor.

Further, CPA Australia is of the view that the requirement to appoint a replacement auditor within 10 business days may prove difficult for members located in remote or regional areas. Our experience, via CPA Australia's Quality Review Program, has identified that members in remote or regional locations are finding it increasingly difficult to engage another member in public practice to perform their trust account audit. We suggest a more achievable requirement would be that the member in public practice must appoint a replacement auditor no later than 30 days prior to the applicable year end date.

In considering these concerns, we suggested the following amendments to paragraph 7.8:

- 7.8 A member in Public Practice shall appoint a replacement Auditor of Client Monies after the resignation or removal of the existing Auditor of Client Monies. The appointment must be made no later than 30 days prior to the applicable year end date. The member must also obtain from the incoming auditor, the following:
- a) The Professional Body that the auditor is a member of
  - b) The membership number of the auditor
  - c) The Professional Body that issued the Public Practice Certificate
  - d) Confirmation that the auditor is a member in good standing of their Professional Body.

Alternatively, the suggested amendment to paragraph 7.8 could be included in Part B of APES 310: Professional Obligations of an Auditor of Client Monies.

If you require further information on our views expressed in this submission, please contact Josephine Haste, Policy Adviser – Ethics and Professional Standards by email at [josephine.haste@cpaaustralia.com.au](mailto:josephine.haste@cpaaustralia.com.au) or on +61 3 9606 9693.

Yours sincerely



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