

Constituents' Submissions – Specific Comments Table
Exposure Draft 06/12: APES 310 Dealing with Client Monies

Note: General comments relating to APES 310 are addressed in a separate table. This table excludes minor editorial changes.

| Item No. | Paragraph No. in Exposure Draft | Respondent | Respondents' Comments |
|----------|---------------------------------|------------|--|
| 1 | 1.5 | CPA/ICAA | CPA Australia and the Institute are of the view that paragraph 1.5 should identify the reason why "This Standard does not apply where a Member in Public Practice is acting as a trustee or under a power of attorney". We do not consider that the wording "as the Member will have to comply with the obligations specified in the relevant trust deed or the power of attorney" adequately identifies this reason. We understand that the reason is that these scenarios do not constitute dealing with client monies within the definitions of the standard, because of the absence of a client. Members are acting in their capacity as an attorney or a trustee (with appropriate obligations), rather than in their capacity as an accountant to a client. |
| 2 | 6.9 | CPA/ICAA | <p>The proposed wording of paragraph 6.9, formerly 7.2, introduces a new concept into the standard: the distribution of interest "in a fair and equitable manner". Previously interest had to be credited to the "relevant" client, which we had understood to require an accurate allocation of interest to a particular client. A requirement for the allocation of interest to be fair and equitable would, in our view, lead to the need to determine whether any allocation was fair and reasonable. We see no value in introducing this issue into the standard. Also we note that the prior wording "to the relevant Client's account" identifies a specific client, while the proposed wording "to the credit of Clients" does not. We therefore suggest that paragraph 6.9 should be worded as: Where any interest is earned on a Trust Account, the Member in Public Practice shall allocate the interest to the credit of the relevant client.</p> <p>Further, we consider that paragraph 7.5 (b) which requires details and basis of calculation of all interest earned and paragraph 7.7 which requires any interest earned to be disclosed to the Client, provide sufficient coverage of the need to apportion the interest appropriately and inform the client.</p> |
| 3 | 7.7 | CPA/ICAA | Paragraph 7.7 (a) states that it is subject to paragraph 7.9 (and similarly paragraph 8.1 states that it is subject to paragraph 8.2). We consider that mandatory requirements cannot be subject to a guidance paragraph. In relation to paragraph 7.7(a), the additional reference in 7.9 back to 7.7(a) appears unnecessary and circular. We are of the opinion that paragraph 7.7 can address the point made in 7.9 by stating: 'at least annually, unless previously dealt with' and suggest that paragraph 7.9 is deleted. |
| 4 | 7.7 | CPA/ICAA | We further consider that the requirements dealt with in paragraph 7.7 are not adequately identified. We understand that the standard is concerned to ensure that there is a regular and timely provision of information to the client explaining how the accountant has dealt with client monies. On that basis, we consider that the provision of information annually is the least preferred alternative, and yet it is the first to be identified in 7.7. In our view the triggers for the provision of information to the client should be identified as: |

Exposure Draft 06/12: Proposed Revised Standard: APES 310 Dealing with Client Monies

| Item No. | Paragraph No. in Exposure Draft | Respondent | Respondents' Comments |
|----------|---------------------------------|------------|--|
| | | | <p>a) in respect of trust accounts, upon completion of the matter involving the disposition of client monies through the Trust Account;</p> <p>b) in respect of any transaction, upon written request from the Client;</p> <p>c) when a Trust Account or Client Bank Account is closed or if the Member's authority to operate a Client Bank Account is revoked; or</p> <p>d) at least annually, unless previously dealt with.</p> <p>Consequential amendments to paragraph 7.8 would be required if this rewording of paragraph 7.7 were adopted.</p> |
| 5 | 7.10 | CPA/ICAA | <p>Paragraph 7.10 proposes that a member "shall determine whether the responsibility to prepare a reconciliation rests with the member". We don't believe that the standard needs to impose this requirement on the member. In our view the wording should just state "where the responsibility does not rest with the member".</p> |
| 6 | 7.10 | CPA/ICAA | <p>Paragraph 7.11 proposes that the member shall ensure "the Member's records for the Client Bank Account are reconciled to the Financial Institution statements". In our view, if the member has the responsibility for the reconciliation, the requirement should be stated as ensuring "that the reconciliation is completed", without needing to specify what gets reconciled to what.</p> |
| 7 | 7.11 | Deloitte | <p>Paragraph 7.11 of the ED requires a Member to "take action to correct any difference or error identified during the reconciliation within 5 Business Days of such identification". We believe that it would assist Members if guidance clarified whether the corrective action needs to be <u>completed</u> within 5 business days or whether the corrective action needs to be <u>initiated</u> within 5 business days (completing perhaps at a later date). Having to complete corrective action within 5 business days can pose difficulties for a Member as further information is often needed from a Client or their Financial Institutions to resolve differences or errors.</p> |
| 8 | 8.5 | Deloitte | <p>Paragraph 8.5(c) of the ED requires a Member "obtain the Client's authorisation prior to releasing the Client's information to the Auditor of Client Monies or to the Member's Professional Body". We believe that this requirement would benefit from further guidance. Firstly, we believe guidance could support the incorporation of the Client's authorisation to release information into the terms of engagement. Secondly, it would assist Members if APESB guidance specifically addressed situations where a Client refuses to authorise the release of their information.</p> |

Staff Instructions:

- Comments of a “general” nature should be dealt with first, followed by paragraph specific comments.
- Respondents’ comments must be copied verbatim into this table.
- Comments should be dealt with in paragraph order, not respondent order.
- Use acronyms only for respondents. Update the attached table with details of additional respondents.

RESPONDENTS

| | | |
|---|----------|---|
| 1 | IPAA | Insolvency Practitioners Association of Australia |
| 2 | Deloitte | Deloitte Touche Tohmatsu Australia |
| 3 | CPA/ICAA | CPA Australia & Institute of Chartered Accountants in Australia |