

**Constituents' Submissions – General Comments  
 Exposure Draft 01/10: APES 310 Client Monies**

**Note: Specific comments relating to APES 310 Client Monies are addressed in a separate table. This table excludes minor editorial changes.**

Item No.	Paragraph No. in Exposure Draft	Respondent	Respondents' Comments
1		ABA	<p>Please find following comments from the Australian Bankers' Association (ABA) on the Exposure Draft Proposed Standard APES 310 Dealing with Client Monies as prepared by the Accounting Professional and Ethics Standards Board (APESB).</p> <p>I hope these comments are helpful. It would be appreciated if you could provide the ABA with feedback on our comments, and also provide an indication of timing and compliance. I note that member banks are concerned that the proposed requirement, if introduced without amendment as we have suggested, would require process and system changes, and therefore appropriate transitional and compliance periods would be necessary - 1 October 2010 would not be sufficient.</p>

**Exposure Draft 01/10: Proposed Standard: APES 310 Client Monies**

Item No.	Paragraph No. in Exposure Draft	Respondent	Respondents' Comments
2	Section 2	CPA Australia, ICAA, NIA	<p>Thank you for the opportunity to comment on this Exposure Draft for a new standard APES 310 <i>Dealing with Client Monies</i>. CPA Australia, the Institute of Chartered Accountants (“the Institute”) and the National Institute of Accountants (the Joint Accounting Bodies) have considered the exposure draft and our comments follow. The Joint Accounting Bodies represent over 180,000 professional accountants in Australia. Our members work in diverse roles across public practice, commerce, industry, government, academia throughout Australia and internationally.</p> <p>The Joint Accounting Bodies support the issue of the proposed standard, recognising the need to revise and update the existing Professional Statement, APS 10 <i>Trust Accounts</i>. We welcome the Board’s objective of broadening the scope of the existing statement to include dealings involving client bank accounts.</p>

Item No.	Paragraph No. in Exposure Draft	Respondent	Respondents' Comments
3		CPA Australia, ICAA, NIA	<p><b><i>Service Providers Providing Trust Account Management Services</i></b></p> <p>It has come to the attention of the Joint Accounting Bodies that some members in public practice are utilising outsourced service providers to manage their trust account affairs.</p> <p>The Joint Accounting Bodies believe that it should be made clear that these arrangements fall under the definition of “Deals (or Dealing) with Client Monies” in this proposed standard. The public interest would be best served where members who utilise these services are audited to ensure that their use of the service is consistent with the principles outlined in APES 310. We note that this may require reconsideration of the definition of Trust Account to extend it to accounts operated by an agent or contractor of the member.</p>

Item No.	Paragraph No. in Exposure Draft	Respondent	Respondents' Comments
4	Para 6.3	Deloitte	<p><i>1. Black letter requirements to perform certain activities within a set number of days</i></p> <p>There are numerous black letter requirements throughout APES 310 requiring the Member to perform certain activities within a set timeframe. For example:</p> <p>There may be practical reasons why the Member would find it difficult to comply with the requirements in the set timeframes. In addition, many timeframes appear arbitrary in the absence of any legislative requirements. The Member may therefore inadvertently breach the Standard due to circumstances that fall outside of the Member's control.</p> <p>We propose the Board consider the following amendment be added to the black letter deadlines within the Standard to recognise a principles-based approach which is more appropriate for an ethical standard than requirements that do not allow for any flexibility:</p> <p><b>6.3 A Member in Public Practice receiving Client Monies where the payee is no longer a Client, or the intended recipient is unknown to the Member, shall return the Monies within 10 Business Days, or as soon as reasonably practicable, to the drawer or sender as appropriate.</b></p> <p>This very clearly provides the timeframe that is considered acceptable, but also allows flexibility without weakening the requirement.</p>

Item No.	Paragraph No. in Exposure Draft	Respondent	Respondents' Comments
5	Para 5.6	Deloitte	<p>2. <i>The application of certain requirements to both Client Bank Accounts and Trust Accounts</i></p> <p>APES 310 extends certain current requirements beyond Trust Accounts and Trust Account Records to also include <u>dealing with Client Monies through Client Bank Accounts</u>. However a Trust Account is owned by the Member who establishes it, whereas a Client Bank Account is owned by the Client who provides the authority to the practitioner to action transactions on their behalf - this is an important distinction that is not reflected in the requirements of APES 310.</p> <p>While we <u>agree that general ethical principles should apply to dealing with Client Monies</u>, whatever the method, there are a number of paragraphs in APES 310 that we believe should only apply to Trust Accounts and should not extend to Client Bank Accounts. A few examples are set out below:</p> <p><b>A Member in Public Practice shall inform the Client in writing:</b></p> <p><b>(a) no later than at the time of initial deposit, the details of the Financial Institution at which the Client Monies are to be held; and</b></p> <p><b>(b) if there is a change to the existing Financial Institution arrangements, within 10 Business Days where the Client Monies are held.</b></p> <p>Control of Client Monies in a Client Bank Account is often limited to cheque signing authority or limited authority over EFT transactions for certain engagement types (i.e. payroll, payment of invoices). In these circumstances, the Client retains ownership and control of the Client Bank Account, including any changes to any financial arrangements.</p> <p>Therefore we do not believe the Member would be in a position to inform the Client of activities that do not form part of the Client instructions and are outside their control, such as a change in financial institution arrangements, the credit of interest, etc.</p>
6		GT	<p>Grant Thornton Australia Limited (Grant Thornton) appreciates the opportunity to comment on the Accounting Professional and Ethical Standards Board's (APESB) Proposed Standard APES 310 (the ED).</p> <p>Grant Thornton's response reflects our position as auditors and business advisers both to listed companies and privately held companies and businesses.</p> <p>Apart from one specific comment below, Grant Thornton supports the release of APES 310 as an APES standard and given the absence of an equivalent international standard, it is recommended that a copy be sent to the International Ethics Standards Board so that a global standard can be considered in time.</p>

**Exposure Draft 01/10: Proposed Standard: APES 310 Client Monies**

Item No.	Paragraph No. in Exposure Draft	Respondent	Respondents' Comments
7		KPMG	<p>We are pleased to have the opportunity to comment on the Exposure Draft of Proposed Standard: APES310 Dealing with Client Monies (“proposed standard”) issued by the Accounting Professional &amp; Ethical Standards Board (“APESB”).</p> <p>Overall, KPMG is supportive of the proposed standard. We concur with the spirit of the proposed standard and acknowledge the importance of having and adhering to high professional and ethical standards when dealing with client monies.</p> <p>We agree with the requirements within the proposed standard pertaining to dealing with client monies through the operation of Trust Accounts and client bank accounts, to the extent to which members facilitate and have control over these transaction.</p> <p>We, however, question the need to extend the audit requirement to include the audit of transactions involving client monies through client bank accounts, especially client bank accounts for which members do not have full oversight, operation and control of.</p> <p>Please refer to the attachment to this letter which outlines our views in respect of the above, along with other observation, for your consideration.</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**

ABA	Australian Bankers' Association Inc.
CPA Australia, ICAA, NIA	CPA Australia, ICAA, NIA
Deloitte	Deloitte Touche Tohmatsu
GT	Grant Thornton
KPMG	KPMG
WB	William Buck