

ACCOUNTING PROFESSIONAL & ETHICAL STANDARDS BOARD LIMITED

**APES 310 *Dealing with Client Monies*
1st Taskforce Meeting for 2016**

MINUTES

**7 November 2016, Monday
3.00 p.m. – 4.17 p.m.**

Teleconference

1. Present and Apologies

Present:

Mr. Channa Wijesinghe (Chairman), Mr. Geoff Gray, Dr. Eva Tsahuridu, Ms. Hana Thompson, Mr. Rob Florence, and Ms. Caroline Karavias.

In Attendance:

Mr. Craig Farrow (Board Member), Ms. Jennifer Simpson, Ms. Jacinta Hanrahan, and Ms. Ruth Oliquino.

Apologies:

Ms. Sonya Sinclair.

2. Proposed revisions to APES 310

The Chairman outlined the process to date relating to the revision to APES 310 *Dealing with Client Monies* (the **proposed standard**). APESB Technical Staff have reviewed all the submissions received in response to Exposure Draft ED 01 16 *Proposed Standard APES 310 Client Monies* (the **ED**) and circulated the specific and general comments tables with proposed revisions to the standard.

The Taskforce discussed the following topics/ proposed revisions:

Assurance engagement to replace audit / review

The taskforce members agreed that the terminology for audits and reviews should be updated to reflect the new terminology of assurance standards.

The Taskforce discussed whether the APESB standards could refer to the relevant Australian Auditing and Assurance Standards for definitions. However it was noted that this could cause issues for members who are in different jurisdictions where the Australian Auditing and Assurance Standards may not apply.

Assurance engagement report

The Taskforce noted the revision of the assurance engagement report. The Chairman outlined that the final version to be included in the proposed standard will align to the examples in ASAE 3100 *Compliance Engagements* (expected to be reissued later this year).

Exclusions for directors and officeholders in paragraph 1.6

The taskforce discussed the proposed revision to paragraph 1.6 as set out below:

- 1.6 This Standard does not apply where a Member in Public Practice is acting as a trustee or under a power of attorney, as in these circumstances the Member is not acting in a Client relationship. When acting in the capacity of an attorney or a trustee, the Member is required to comply with the obligations specified in the relevant trust deed or the power of attorney. [This Standard also does not apply where a Member in Public Practice is acting as a director or an officeholder of a company, unless the Member in Public Practice performs these roles as part of the provision of Professional Services to a Client.](#) ^{SC5}

The Taskforce discussed the difference between the professional obligations and the legal obligations of the roles specified in this paragraph. They agreed that even if you have been appointed into these roles because you were an accountant, once you have accepted these roles you are bound by other legal responsibilities.

The taskforce preferred the following alternative version of paragraph 1.6:

- 1.6 This Standard does not apply where a Member in Public Practice is acting as a trustee, ~~or~~ under a power of attorney, [a director or an officeholder of an entity](#), as in these circumstances the Member is not acting in a Client relationship. When acting in the capacity of an attorney, ~~or~~ a trustee, [or an officeholder](#) the Member is required to comply with the obligations specified in the relevant trust deed, ~~or~~ the power of attorney [or their officeholder obligations](#). ^{SC5}

The Taskforce also discussed whether another exclusion should be included in the proposed standard for situations where the member is a dual signatory on a client bank account. The Taskforce agreed that an exclusion paragraph was not required, if the definition of Client Monies is clear in relation to applicability to dual signatory situations.

'Assign responsibility' vs 'delegation' in paragraph 6.17

The Taskforce noted the change in paragraph 6.17 and no amendments were suggested.

Clarifying obligations in Part B with addition of subheadings

The Taskforce noted the changes proposed in Part B and did not suggest further amendments.

Additional minor editorials

The Taskforce noted that paragraph 6.5 refers to non-compliance with paragraph 6.4. However this paragraph is intended to guide the accountant to document the process followed in trying to identify the intended recipient of funds received. APESB Technical Staff will amend paragraph 6.5 to clarify the intent and remove the words 'is not able to comply with'.

No other minor editorials were raised by the Taskforce.

3. Other matters for consideration

Timing of audit & impact on audit report modifications

The taskforce discussed the issue of whether audit reports should be modified when the audit report is not completed within the 3 month period specified in APES 310. The taskforce agreed that the report should be modified. The discussion highlighted the need to educate members who are acting as Auditors of Client Monies about the need to issue a modified report when an audit report is not completed within the specified period.

The Taskforce discussed whether the timing requirements in paragraph 8.1 are practical and can be achieved by members. Technical Staff will research the deadlines imposed for audits to be conducted under comparable trust account situations (i.e. real estate trust accounts or solicitors trust accounts). An assessment will then be made as to the adequacy of the 3 months specified in this section.

Scope of the term 'deficiency'

Taskforce members determined that the term deficiency includes both deficiencies and shortfalls in records maintained by the Member in Public Practice (i.e. ledgers) and also in Trust Accounts and Client Bank Accounts. APESB Technical Staff are to review the definition of deficiency and also the related provision in the standard (paragraph 8.8). Technical Staff will also research how deficiencies are dealt with under other trust account situations and how timing issues are dealt with.

Issues with audits and Joint signatories on a client bank account

The Taskforce discussed the matter where accountants are dual signatories on client bank accounts. In the situation where there is joint control, the taskforce believes that these situation should be excluded from the standard.

APESB Technical Staff are to consider the matter of joint control and how this will impact the definition of 'client monies' (around control) and paragraph 8.3 which applies when the member can co-authorise transactions with a client.

Any other matters

- *Approval for removal or resignation of auditors*

A taskforce member raised the matter of changes to the existing Auditor of Client Monies, in particular whether the existing requirement in paragraph 8.9 for the member to seek approval from the Professional Bodies to replace their auditor should be retained. It was noted that paragraph 9.9 of the proposed standard also required auditors who wish to resign to seek approval first from the Professional Body.

The Taskforce discussed how the provisions around the removal and appointment of Auditors of Client Monies are being applied in practice, in particular, the difficulty that members in regional areas face when they need to replace their auditor.

Technical Staff will research how the removal and appointment of auditors are dealt with under comparable trust account situations (i.e. real estate trust accounts or solicitors trust accounts).

- *Progress update on consultation with banks on accountant trust accounts*

A professional accounting body representative provided an update on communications held with a financial institution regarding the establishment of an Accountants Trust Account. This is to seek a resolution to the issue where members have not been able to open a Trust account with a Financial Institution.

The Taskforce agreed that the Australian Bankers Association (ABA) should be approached again in relation to this issue. Technical Staff will liaise further with the professional accounting body representative on this matter.

4. Way forward

APESB Technical Staff will:

- research requirements in other laws and regulations (i.e. Queensland Trust Account Act, Real Estate and Solicitors Trust Accounts) relating to the removal and appointment of auditors, the timing of assurance engagements and the scope / reporting requirements for deficiencies;
- liaise with the professional accounting bodies in respect of re-engaging with the Australian Bankers Association;
- update the proposed revised standard, where appropriate, to incorporate the Taskforce comments and the results of the research conducted;
- circulate the updated version of the proposed revised standard to the Taskforce for further comments and editorials, if required;
- present the proposed revised standard at the November 2016 Board Meeting for the Board's initial review;
- provide feedback to the taskforce on the outcome of the Board Meeting;
- monitor AUASB's progress of their revision to ASAE 3100 *Compliance Engagements*; and
- once AUASB's process is complete, update the audit report and re-engage with the taskforce for a final review.

5. Close of Meeting

The meeting was closed at 4.17 p.m.