

## AGENDA PAPER

**Item Number:** 8  
**Date of Meeting:** 22 August 2017  
**Subject:** Update on revision of APES 310 *Client Monies*

---

Action required     For discussion     For noting     For information

---

### Purpose

To:

- obtain the Board's approval on proposed provisions relating to the example assurance report in Appendix 1;
- obtain the Board's approval on the proposed addition of a paragraph on engagement acceptance processes for auditors of client monies;
- seek Board feedback on an Information Sheet on opening Trust Accounts with financial institutions; and
- provide the Board with an update on the progress of the project relating to APES 310.

### Background

APESB has been conducting a project to revise APES 310 *Dealing with Client Monies* (APES 310) which was last revised in July 2013.

At its May 2017 Board Meeting, the Board considered the developments relating to the following key issues in respect of the revision to APES 310:

- AUASB proposed revision of ASAE 3100 *Compliance Engagements* (ASAE 3100);
- opening of Trust Accounts;
- approval of Professional Bodies to change an Auditor of Client Monies; and
- a Member in Public Practice with a dual signatory role on a Client Bank Account.

The Board discussed these matters and thought further consideration was necessary on issues relating to changing an Auditor of Client Monies and whether dual signatory situations (where the client is a co-signatory) should be within the scope of APES 310.

## Consideration of Issues

### 1. Revisions related to AUASB's revisions to ASAE 3100 Compliance Engagements

The example audit opinion in APES 310 is based on the requirements of ASAE 3100 *Compliance Engagements* (ASAE 3100).

The AUASB issued a revised ASAE 3100 in February 2017. APESB Technical Staff have liaised with the AUASB Technical Staff to ensure the proposed template audit opinion in APES 310 is in accordance with the new ASAE 3100.

Refer to Agenda Item 8(a) for the proposed revised example assurance report (marked up with changes to the [version](#) presented at the November 2016 Board meeting).

Technical Staff seek Board approval for the proposed revisions to APES 310 Appendix 1 *Example of a Reasonable Assurance Engagement report*.

### 2. Processes for changes of Auditor of Client Monies

Over the past few meetings, the Board has been considering the extant provisions on changing an Auditor of Client Monies and whether existing obligations relating to engagement acceptance should be emphasised or included in APES 310.

#### Engagement acceptance process

Technical Staff note that Section 210 *Professional Appointment* of the Code prescribes professional obligations to Members in Public Practice in respect of changes in professional appointments. However, there is currently no reference in APES 310 to remind an Auditor of Client Monies to specifically complete an engagement acceptance process.

Technical Staff are of the view that APES 310 could be strengthened by clarifying the requirement for Auditors of Client Monies to conduct an engagement acceptance process. Technical Staff therefore propose to add a new sub-section and paragraph in Part B: *Professional obligations of an Auditor of Client Monies* of APES 310 to highlight this.

The proposed change is as follows:

#### **Professional Appointment**

**9.X A Member in Public Practice who is approached by a potential Client to accept an Auditor of Client Monies role shall determine whether there are any reasons, professional or otherwise, for not accepting the engagement. A Member shall, after receiving permission from the prospective client, request in writing from the existing auditor any known information which the Member needs to be aware of before deciding to accept the engagement.**

Technical Staff are of the view that the proposed change clarifies the application of existing requirements, and would not be a substantive change.

Technical Staff seek Board approval of the proposed paragraph requiring a process in relation to the acceptance of engagements as an auditor of client monies.

### Process to gain approval for changes in Auditors of Client Monies

Another matter under consideration by the APESB is the extant requirements relating to the change of auditor of client monies in APES 310 and whether approval from the relevant professional body is still necessary.

APESB is considering the option to either retain the existing provisions requiring approval from the professional bodies or to alter the provisions so that the professional bodies are notified of changes, but are not required to provide approval for the change to occur.

In determining the appropriate action to undertake, consideration is being given to the risks that these provisions are trying to mitigate and whether public interest will be diluted by altering the requirement from approval to notification of the change of auditor.

To assist with this analysis Technical Staff have asked the Professional Bodies to provide information about the current systems, processes and documents they have in place to address the existing requirements in the standard.

At the time of writing this report, we have received a response from one Professional Body and are waiting on responses from the other two Bodies. Technical Staff will provide a verbal update on this matter at the August Board Meeting.

### **3. Information Sheet on Opening of Trust Accounts**

Technical Staff have been working on the development of an information sheet that highlights the requirement for a professional accountant to have a trust account. To complement the information sheet, a template letter has also been drafted which Members in Public Practice can use to communicate with a financial institution about this matter.

APESB has liaised with both the Australian Bankers Association (ABA) and the Tax Practitioners Board (TPB), who are supportive of the Information Sheet but do not authorise the use of their logo or branding on the Information Sheet. Refer to Agenda Items 8(d) – (e) for copies of the correspondence received from ABA and TPB and their suggested editorials in respect of the Information Sheet.

Based on the ABA and TPB's feedback, Technical Staff have prepared updated drafts of the Information Sheet (refer to Agenda Item 8(b)) and the template letter (refer to Agenda Item 8(c)).

Technical Staff have circulated these drafts to the Professional Bodies for their input on the content of the documents and to consider if the Professional Bodies should co-badge the documents. The Professional Bodies were asked to provide their response by 16 August 2017. As this is after the release of the Board Papers Technical Staff will provide a verbal update on this matter at the August Board Meeting.

Technical Staff seek the Board's views on the draft Information Sheet and the template set out in Agenda Items 8(b) and 8(c).

### **4. Application of APES 310 to Trust Accounts and Client Bank Accounts**

The final matter being considered by the APESB on APES 310 is its application to both Trust Accounts and Client Bank Accounts (including dual signatory situations). A stakeholder has queried whether the standard should apply to Client Bank Accounts, in particular dual signatory situations.

Technical Staff see the purpose of having Client Bank Accounts (and dual signatory situations) within the scope of the Standard is to ensure that Members in Public Practice have controls in place when in a position of being authorised to deal with client monies in client bank accounts. Therefore, Technical Staff are of the view that the scope of APES 310 should not change and should cover both Trust Accounts and Client Bank Accounts.

To help facilitate the discussion on the scope of APES 310 Technical Staff have been preparing an alternative version of the standard for the Board to consider. The alternative version of APES 310 has distinct sections for Trust Accounts and Client Bank Accounts to clarify the purpose of the scope of APES 310 and to clearly set out Members responsibilities. Technical Staff will also include in the alternative version of APES 310 proposed amendments to remove references to the financial position of Client Bank Accounts.

At the point of writing this report Technical Staff are yet to finalise the alternative version of APES 310. Once the alternative version of APES 310 is ready for distribution it will be circulated to the Board for their consideration. Technical Staff will also engage with the professional accounting bodies and the APES 310 taskforce about the alternative version and seek their feedback.

The matter of the application of APES 310 to Trust Accounts and Client Bank Accounts will then be brought back to the Board for final determination at their November 2017 Board meeting.

## **Way forward**

Consultation with stakeholders is ongoing in relation to the process for changing an auditor of client monies, and further consultation needs to occur in relation to the alternative version of APES 310. Based on this, Technical Staff propose to provide a Board with updated draft amendments to APES 310 for consideration at the November 2017 Board Meeting.

## **Staff Recommendations**

That the Board:

- approve the revisions to the example assurance report in APES 310 Appendix 1;
- approve the new paragraph on engagement acceptance processes for Auditors of Client Monies;
- provide feedback on the proposed Information Sheet and associated template letter on opening Trust Accounts; and
- note the progress on the project to revise APES 310 Client Monies.

## **Material Presented**

Agenda Item 8 (a)	Proposed APES 310 Appendix 1 (marked up);
Agenda Item 8 (b)	Draft Information Sheet on opening Trust Accounts;
Agenda Item 8 (c)	Draft Template Letter re opening Trust Accounts;
Agenda Item 8 (d)	Correspondence from ABA - CONFIDENTIAL; and
Agenda Item 8 (e)	Correspondence from TPB - CONFIDENTIAL.

**Authors:** Channa Wijesinghe  
Jacinta Hanrahan

**Date:** 8 August 2017