

ACCOUNTING PROFESSIONAL & ETHICAL STANDARDS BOARD LIMITED

APES 310 *Client Monies* Taskforce

MINUTES

**13 November 2017, Monday
11.00 a.m. – 12.07 p.m.**

Teleconference

1. Present and Apologies

Present:

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

In Attendance:

Mr. Craig Farrow (Board Member), Ms Claire Mackay (Board Member), Ms. Jennifer Simpson and Ms. Jacinta Hanrahan.

Apologies:

Ms Claire Grayson, Ms. Sonya Sinclair and Ms Kristen Wydell.

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 circulated the alternative version of APES 310 (which has distinct sections for Trust Accounts and Client Bank Accounts) and the proposed Information Sheet and Template Letter relating to opening trust accounts.

The Taskforce discussed the following topics/ proposed revisions:

Separation of requirements for Trust Accounts and Client Bank Accounts into two discrete sections

The Taskforce members agreed that the separation of the requirements for Trust Accounts into two discrete sections was a positive change. The taskforce acknowledged that this made the relevant requirements that are applicable to the two categories easier to understand.

The Taskforce had differing views on whether the scope of APES 310 should include Client Bank Accounts. There was a continuum of views presented. Some Taskforce members were of the view that if a Client is involved with the transaction there should be no additional requirements imposed on the Member by APES 310.

Another view presented by other Taskforce members was that APES 310 should apply to any transactions that the Member is involved with, regardless of who else may be involved in that transaction.

Technical Staff outlined the intended scope of the proposed standard is to cover situations where a Member is dealing with Client Monies, regardless of the form of account that the transaction takes place in.

The Taskforce did have some reservations about whether the revised APES 310 makes it clear that dual signatory situations are within the scope of APES 310. The Professional Bodies indicated that Members consistently query whether they fall within APES 310 for dual signatory situations. To reinforce the scope the Taskforce suggested that additional definitions be included for the terms 'Control' and 'Signatory'.

A Taskforce Member also queried whether the proposed section on Client Bank Accounts applies to discretionary portfolio situations. Technical Staff reiterated that the purpose of the Client Bank Account section is to ensure Members in Public Practice have internal controls in place when dealing with Client Monies. These controls must address how the Member is acting in accordance with Client instructions as per paragraph proposed paragraph 4.2. The taskforce suggested that this paragraph be amended to refer to client agreement as well as client instructions as this would indicate that the Member may not need to specifically have instructions from the Client for each individual transaction.

The Taskforce discussed whether in some instances it is necessary to report to the Client on the transactions undertaken in a Client Bank Account if the Client provided the information supporting the transaction and was a co-signatory to the transaction. Technical Staff were requested to review proposed paragraphs 6.21 and 6.22 to consider whether this exemption could be included.

A Taskforce Member thought there was a gap in the existing standard as there are no restrictions on a Member having the sole administration capabilities of a Client Bank Account. The Taskforce agreed the Standard could be strengthened by including either a requirement or guidance to restrict this situation occurring, but further research is required before this amendment could be made.

Amendments to the provisions for changes to the Auditor of Client Monies

The Taskforce discussed the proposed change to replace the words 'first obtain the approval of' with 'notify; in proposed paragraphs 7.9 and 8.10. The Taskforce discussed whether Members are complying with the existing requirements about seeking approval. One of the Taskforce members believed this was a very practical change to the proposed Standard.

The Taskforce discussed whether the onus on notifying the Professional Body should be on the Member that wishes to resign from the engagement or from the Auditor who was appointed to the role. The Taskforce believed it should be the new Auditor and suggested altering paragraph 8.10 to reflect this.

The Taskforce considered the new paragraph requiring an engagement acceptance process to be conducted and agreed it was a useful inclusion in the standard. It was raised that the new paragraph needs to be reviewed to ensure terms are used consistently (e.g. potential Client vs prospective Client).

Assurance Engagement report (Appendix 1) updated for revised ASAE 3100 Compliance Engagements

The Chairman outlined that revised assurance engagement report is in alignment with the requirements of the recently revised ASAE 3100 *Compliance Engagements*.

The Taskforce discussed whether the template assurance engagement report could include a section for the Member to include their designation and member number. This would facilitate the Professional Bodies in verifying that the audit of client monies was conducted by another Member in Public Practice.

The Taskforce agreed this would be a useful improvement to the example assurance engagement report. Technical Staff agreed with the Taskforce and will include this amendment in the proposed standard.

3. Additional resources and tools to support APES 310

The Taskforce discussed the Information Sheet and Template Letter in relation to the opening of Trust Accounts by Accountants. The resources were considered useful, but the Taskforce queried whether it would be possible to reduce the Information Sheet to one sheet of paper.

The Taskforce also discussed the approach Members should undertake if they are still unable to open a Trust Account after using these resources. The consensus was that in these instances the Members should contact their Professional Body for further assistance.

The Taskforce also discussed whether further conversations could be held with financial institutions about the need for accountants to open Trust Accounts. A Taskforce Member shared their previous discussions with a major financial institution, where the outcome was that the revised standard needs to be issued before the bank would take the matter further. The legal department of the Bank had suggested changes to the wording of the Trust Account Sample Authority Letter in Appendix 2 which Technical Staff included in the proposed Standard. The Taskforce Member has agreed to liaise with the financial institution again on this matter.

4. Other matters for consideration

No other matters were raised by the Taskforce.

5. Way forward

APESB Technical Staff will:

- update the proposed revised standard, where appropriate, to incorporate the Taskforce's review comments;
- present the proposed revisions to the Standard at the November 2017 Board Meeting for the Board's review;
- provide feedback to the taskforce on the outcome of the Board Meeting; and
- re-expose the proposed APES 310, subject to the Board's agreement.

6. Close of Meeting

The meeting was closed at 12.07 p.m.