

19 November 2019

### **APESB issues revised APES 310 *Client Monies***

Accounting Professional & Ethical Standards Board Limited (APESB) today announced the issue of the revised APES 310 *Client Monies* (APES 310) to replace the existing APES 310 (Issued May 2018).

The key changes in the revised APES 310 consist of:

- Revisions to reflect the restructured APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)*, issued in November 2018; and
- Inclusion of an example of a Limited Assurance Engagement Report.

Please refer to Appendix 1 of this technical update for details of all the revisions. The revised APES 310 will be effective for Engagements commencing on or after 1 January 2020 with early adoption permitted.

APESB has incorporated the following interactive PDF features within the revised APES 310:

- Bookmark tab section for contents page;
- Dynamic links to sections and paragraphs;
- Pop-up definitions upon mouse rollover for defined terms; and
- Links to external websites.

The revised standard is available from APESB's website: [www.apesb.org.au](http://www.apesb.org.au)

**– ENDS –**

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## Appendix 1

### Revision to APES 310 (Issued May 2018)

Accounting Professional & Ethical Standards Board Limited (APESB) has approved the following revisions to APES 310 *Client Monies* which was originally issued in December 2010 and revised in July 2013 and May 2018.

Paragraph Reference	Revisions
1.2	Accounting Professional & Ethical Standards Board Limited (APESB) issues APES 310 <i>Client Monies</i> ( <b>the Standard</b> ), which is effective for Engagements commencing on or after 1 <del>October 2018</del> <u>January 2020</u> and supersedes APES 310 <del><i>Dealing with Client Monies</i></del> issued in <del>July 2013</del> <u>May 2018</u> . Earlier adoption of this Standard is permitted.
1.8	<b>Members in Public Practice shall <del>be familiar</del> <u>comply with relevant all other applicable</u> Professional Standards and <del>be familiar with relevant</del> <u>comply with relevant</u> guidance notes when providing Professional Services. All Members shall comply with the fundamental principles outlined in the Code.</b>
1.11	In applying the requirements outlined in APES 310, Members in Public Practice should be guided not merely by the words but also by the spirit of <del>the</del> <u>this</u> Standard and the Code.
2	<u>Defined terms are shown in the body of the Standard in title case.</u> For the purpose of this Standard:
2	<b><i>Assurance Engagement</i></b> means an Engagement in which a Member in Public Practice aims to obtain sufficient appropriate evidence in order to express a conclusion designed to enhance the degree of confidence of the intended users other than the responsible party about the subject matter information (that is, the outcome of the measurement or evaluation of an underlying subject matter against criteria).  This includes an Engagement in accordance with the <i>Framework for Assurance Engagements</i> issued by the AUASB or in accordance with specific relevant standards, such as International Standards on Auditing, for Assurance Engagements.  <u>(For guidance on Assurance Engagements, see the <i>Framework for Assurance Engagements</i> issued by the AUASB. The <i>Framework for Assurance Engagements</i> describes the elements and objectives of an Assurance Engagement and identifies Engagements to which <i>Australian Auditing Standards (ASAs)</i>, <i>Standards on Review Engagements (ASREs)</i> and <i>Standards on Assurance Engagements (ASAEs)</i> apply.)</u>
2	<b><i>Client</i></b> means an individual, firm, entity or organisation to whom or to which Professional <del>Services</del> <u>Activities</u> are provided by a Member in Public Practice in respect of Engagements of either a recurring or demand nature
2	<b><i>Code</i></b> means APES 110 <i>Code of Ethics for Professional Accountants (including Independence Standards)</i> .
2	<b><i>Deals (or Dealing) with Client Monies</i></b> means to hold, receive or disburse Client Monies by any means including cash, cheques or electronic funds transfers.

2	<p><b>Firm</b> means:</p> <p>(a) A sole practitioner, partnership, corporation or other entity of professional accountants;</p> <p>(b) An entity that controls such parties, through ownership, management or other means;</p> <p>(c) An entity controlled by such parties, through ownership, management or other means; or</p> <p>(d) An Auditor-General's office or department.</p>
2	<p><b>Independence</b> <del>is</del> <u>comprises</u>:</p> <p>(a) Independence of mind – the state of mind that permits the expression of a conclusion without being affected by influences that compromise professional judgement, thereby allowing an individual to act with integrity, and exercise objectivity and professional scepticism.</p> <p>(b) Independence in appearance – the avoidance of facts and circumstances that are so significant that a reasonable and informed third party would be likely to conclude, <del>weighing all the specific facts and circumstances,</del> that a Firm's, or a member of the <u>an</u> Engagement team's <u>member's</u>, integrity, objectivity or professional scepticism has been compromised.</p>
2	<p><b>Member in Public Practice</b> means a Member, irrespective of functional classification (<del>e.g. for example,</del> audit, tax or consulting) in a Firm that provides Professional Services. <del>The</del> <u>This</u> term is also used to refer to a Firm of Members in Public Practice and means a practice entity and a participant in that practice entity as defined by the applicable Professional Body.</p>
2	<p><b>Personnel</b> <del>for the purposes of this Standard</del> means employees, officers, directors, contractors or agents.</p>
2	<p><b>Professional Activity</b> means an activity requiring accountancy or related skills undertaken by a Member, including accounting, auditing, taxation, management consulting, and financial management.</p>
3.1	<p><b>A Member in Public Practice who Deals with Client Monies or acts as an Auditor of Client Monies shall comply with <del>Section 100 Introduction and Fundamental Principles Part 1 Complying with the Code, Fundamental Principles and Conceptual Framework</del> of the Code and relevant law and regulations.</b></p>
3.2	<p><b>A Member in Public Practice who Deals with Client Monies or acts as an Auditor of Client Monies shall comply with <del>Section 220 310 Conflicts of Interest and Section 280 Objectivity – All Services</del> of the Code.</b></p>
3.3	<p><b>In accordance with <del>Section 100 Introduction and Fundamental Principles Complying with the Code</del> of the Code, a Member in Public Practice shall observe and comply with the Member's public interest obligations when the Member Deals with Client Monies or acts as an Auditor of Client Monies.</b></p>
3.4	<p><b>A Member in Public Practice who Deals with Client Monies or acts as an Auditor of Client Monies shall maintain professional competence and <del>exercise</del> <u>take</u> due care in the performance of the Member's work in accordance with <del>Subsection 130 113 Professional Competence and Due Care</del> of the Code.</b></p>

3.5	A Member in Public Practice who Deals with Client Monies or acts as an Auditor of Client Monies and acquires confidential information in the course of <del>the Member's work</del> <u>performing a Professional Service</u> for a Client shall comply with <del>Subsection 440</del> <u>114</u> <i>Confidentiality of the Code</i> .
4.1	A Member in Public Practice who Deals with Client Monies shall comply with <del>Section 270</del> <u>350</u> <i>Custody of Client Assets</i> of the Code.
4.3	<p>The Client's instructions referred to in paragraph 4.2 should be in writing. To address risks associated with instructions including those received by email or other electronic means, the Member in Public Practice should develop administrative protocols that address matters including but not limited to:</p> <ul style="list-style-type: none"> <li>• The authenticity of the instructions;</li> <li>• Acceptable timeframes for execution of instructions; and</li> <li>• Contingency procedures to be followed when the Member is not available to authorise transactions on behalf of the Client.</li> </ul> <p><i>An example of an authority letter is set out in Appendix 2 1.</i></p>
4.8	A Member in Public Practice shall only charge professional fees in respect of Dealing with Client Monies in accordance with <del>Section 240</del> <u>330</u> <i>Fees and Other Types of Remuneration</i> of the Code.
4.13	A <u>Where a Member in Public Practice who encounters or becomes aware of instances of non-compliance or suspected non-compliance with laws and regulations (NOCLAR) when Dealing with Client Monies, the Member</u> shall comply with <del>Section 225</del> <u>360</u> <i>Responding to Non-Compliance with Laws and Regulations</i> of the Code.
5.1	A Member in Public Practice who Deals with Client Monies shall open a Trust Account at a Financial Institution in the name of the Member or the Member's Firm and include the term <u>"Trust Account"</u> in its title, unless the Member has been authorised to operate a Client Bank Account in accordance with Section 6 of this Standard.
5.14	The <del>3 Business Days</del> period referred to in paragraph 5.13 commences once the Member in Public Practice is reasonably able to identify the individual Client to whom the funds belong.
5.34	<p>A Member in Public Practice shall issue the statements referred to in:</p> <ul style="list-style-type: none"> <li>(a) paragraphs 5.33(a) and 5.33(b) within 25 Business Days;</li> <li>(b) paragraph 5.33(c) within 30 Business Days of the Applicable Year-End Date or if the circumstances described in paragraphs 5.33(c)(i) &amp; <u>and</u> (ii) apply then an alternative reporting period not exceeding 90 Business Days <del>of</del> <u>from</u> the Applicable Year-End Date; and</li> <li>(c) paragraph 5.33(d) within 5 Business Days.</li> </ul>
6.9	A Member in Public Practice who receives Client Monies that are not capable of being deposited into a Client Bank Account <del>shall</del> <u>is required to</u> comply with the requirements of paragraphs 4.1 and 5.22.

6.16	<p><b>A Member in Public Practice shall keep Records in such a manner as to disclose clearly:</b></p> <p><b>(a) the details of all transactions involving Client Monies undertaken by the Member in Client Bank Accounts, including:</b></p> <p><b>(i) details of all Client Monies deposited into a Client Bank Account by the Member;</b></p> <p><b>(ii) details of all disbursements (including cheques and electronic funds transfers) where the Member, either solely or in conjunction with one or more people, approved or was a Signatory to the transaction;</b></p> <p><b>(iii) details of all Monies received and transferred directly by the Member to a third party nominated by the Client; and</b></p> <p><b>(iv) details of any errors in transactions of Client Monies undertaken by the Member in Client Bank Accounts;</b></p> <p><b>(b) the Signatories for each Client Bank Account where the Member is also an authorised Signatory; and</b></p> <p><b>(c) appropriate evidence of the Client’s approval of transactions involving Client Monies undertaken by the Member.</b></p>
6.22	<p><b>A Member in Public Practice shall issue the statements referred to in:</b></p> <p><b>(a) paragraphs 6.21(a) and 6.21(b) within 25 Business Days;</b></p> <p><b>(b) paragraph 6.21(c) within 30 Business Days of the Applicable Year-End Date or if the circumstances described in paragraphs 6.21(c)(i) &amp; <u>and</u> (ii) apply then an alternative reporting period not exceeding 90 Business Days of <u>from</u> the Applicable Year-End Date; and</b></p> <p><b>(c) paragraph 6.21(d) within 5 Business Days.</b></p>
7.7	<p>Client authorisation required in accordance with paragraph 7.6(a) may be incorporated in the Terms of Engagement. The Member in Public Practice should explain the purpose of authorisation in accordance with paragraph 7.6(c) with reference to protection of the Client’s interest and quality of the Professional Service offered by the Member. Where the Member has obtained authorisation <del>verbally</del> <u>orally</u>, the Member should document the <del>verbal</del> <u>oral</u> authorisation. Where the Client refuses to authorise the release of its information, the Member should disclose this to the Auditor of Client Monies and consider obtaining advice from the Member’s Professional Body in respect of ensuring compliance with this Standard and the Code.</p>
7.9	<p>A Member in Public Practice shall appoint a replacement Auditor of Client Monies within 20 Business Days of the resignation or removal of the existing Auditor of Client Monies. The Member shall notify the applicable Professional Body of the membership details of the new Auditor of Client Monies with 20 Business Days of the appointment of the Auditor.</p>
7.10	<p>The Member in Public Practice should consider obtaining a representation from the incoming Auditor of Client Monies to confirm that the Auditor holds a current certificate of public practice and has no pending disciplinary matters.</p>
8.1	<p><b>An Auditor of Client Monies shall comply with <del>Section 291 Independence – Other Assurance Engagements Part 4B Independence for Assurance Engagements Other than Audit and Review Engagements</del> of the Code.</b></p>

8.2	An Auditor of Client Monies shall not undertake an Assurance Engagement of another Member in Public Practice's compliance with this Standard in circumstances where a reasonable and informed third party having knowledge of all relevant information, including safeguards applied, would determine that the Independence of the Auditor is impaired as a result of a past, existing or proposed relationship.
8.4	A Member in Public Practice who provides Professional Services as an Auditor of Client Monies shall include in the Terms of Engagement the option to notify the relevant Professional Body of the auditee about any concerns that might arise in relation to the Auditor's appointment, resignation or removal.
8.7	<del>Appendix 1</del> <u>Appendices 2 and 3</u> to this Standard contains <del>an</del> examples of a Reasonable Assurance Engagement report <u>and a Limited Assurance Engagement report, respectively.</u>
8.11	An Auditor of Client Monies who has resigned or is being removed from their role should consider notifying the auditee's Professional Body if the Auditor has any concerns about the circumstances that led to the resignation or removal, particularly if it relates to professional misconduct of the auditee.
<b>Appendix <del>12</del></b>	<b>Example of a Trust Account authority letter</b> – Appendix 2 in extant APES 310 relocated and amended
<b>Appendix <del>21</del></b>	<b>Example of a Reasonable Assurance Engagement Report</b> – Appendix 1 in extant APES 310 relocated and amended
<b>Appendix 3</b>	<b>Example of a Limited Assurance Engagement Report</b> – Added
<b>Appendix <del>43</del></b>	<b>Summary of revisions to the previous APES 310 (Issued May 2018)</b> – Appendix 3 in extant APES 10 relocated and amended