

Goodall & Co Approach to Dealing with Client Monies (APES 310)

This overview is not a replacement of the Standard and therefore should be used in conjunction with, and not instead of, the Standard. *Goodall & Co maintains written procedures and records for all transactions involving client monies. An outline of our Firms procedures are made in conjunction with this overview of the standard as prepared by CPA Australia.*

Objective

APES 310 Dealing with Client Monies (PDF) sets out mandatory requirements and guidance for members in public practice who deal with client monies or who act as an auditor of client monies. *Goodall & Co handles client monies via it's trust accounts and the relevant procedures are contained herein.*

Scope and application

APES 310, which is effective for engagements commencing on or after 1 October 2013, requires members in public practice in Australia to adhere to its mandatory requirements when they deal with client monies or act as an auditor of client monies. For members in public practice outside of Australia the provisions of APES 305 must be followed as long as local laws and regulations are not contravened. (*Not applicable*). The revised Standard supersedes the Standard issued in December 2010. The 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.

The Standard is divided into two parts:

Part A: Obligations of members who deal with client monies

Part B: Obligations of auditors of a Member's compliance with this Standard.

Fundamental responsibilities of members

APES 310 requires members in public practice who deal with client monies or act as an auditor of client monies to comply with APES 110 Code of Ethics for Professional Accountants (the Code) in respect of:

Section 100 – Introduction and Fundamental Principles

Section 130 – Professional Competence and Due Care

Section 140 – Confidentiality

Section 220 – Conflicts of Interest

Section 280 – Objectivity – All Services

Professional obligations of a member in public practice who deals with client monies

Some of the general principles in relation to dealing with client monies require a member to:

- a. comply with Section 270 – Custody of Client Assets of the Code. *As applied.*

- b. only deal with client monies through a client bank account or a trust account and only in accordance with the client's instructions. *Goodall & Co operates a single, separate trust account.*
- c. be accountable for all client monies and keep client monies separate from the member's all other monies. *As per B.*
- d. implement appropriate internal controls and procedures in respect of the operation of trust accounts and client bank accounts. *Three separate staff prepare the trust payment (one raises the cheque, a second checks the paperwork, and a third authorises payment).*
- e. not obtain any benefit from dealing with client monies without prior written authority from the client. *Any fees deducted must be in accordance with the Fee From Refund (FFR) Procedure attached at Annex A.*
- f. only charge professional fees in respect of dealing with client monies in accordance with Section 240 – Fees and Other Types of Remuneration of the Code. *As applied.*
- g. comply with relevant legal and fiduciary duties when acting as a trustee or under a power of attorney. *Where applicable.*
- h. not be involved in any money laundering transactions or in the utilisation of the proceeds of crime or terrorist funding. *We risk assess all clients according with the relevant AML and CTF provisions.*
- i. The obligations of APES 310 extend to more than to Members operating trust accounts. The Standard applies where a Member, or any of the Member's employees, can authorise a transaction of client monies which include:
 - i. holding, receiving or disbursing of client monies
 - ii. being authorised to transact client monies
 - iii. any monies coming into the control of the member to which the member has no present entitlement

Whilst there are no present situations beyond the Goodall & Co trust account, we would apply the same standards of APES 310 if that did apply.

APES 310 definition of monies

The definition includes:

- a. cash
- b. foreign currency
- c. any negotiable instrument
- d. any security, the title to which is transferable by delivery (for example, bills of exchange and promissory notes), including delivery by electronic funds transfer

Part A obligations

Obligations include:

- a. general principles to be followed
- b. opening of trust accounts
- c. dealing with client monies in relation to holding, receiving and disbursement of client monies
- d. documentation

Part B obligations

Part B specifies the obligations of an auditor of a member's compliance with the standard and includes an example of an audit report for this type of engagement. Client money auditors not only need to ensure compliance with APES 310 but also with relevant Auditing and Assurance Standards and the Code.

Audit of a member in public practice's compliance with this Standard

APES 310 extends the annual audit requirements to Members who hold, receive or disburse client monies to ensure strengthened safeguards for clients.

Members who opened trust accounts or obtained authority to transact in client monies after 1 July 2011 can choose the applicable year-end date as long as it is within 12 months of the month-end following the opening of the trust account or obtaining the authority to transact. Once the year-end date is chosen, it cannot be changed without approval from CPA Australia.

Members who opened a trust account accounts or obtained authority to transact in client monies before 1 July 2011 must comply with the audit requirements of APES 310 within three months of the applicable year-end date, which is **31 March each year**.

A member in public practice must ensure that the member's compliance with the requirements of the Standard is audited annually **within three months of the applicable year-end date** and must appoint another member in public practice as auditor of client monies to perform the audit.

Members who stop dealing with client monies must ensure that compliance with APES 310 is audited within three months of ceasing.

Note: Different legislation applies to Members in Queensland.

Professional obligations of an auditor of a member in public practice's compliance with this Standard

A member in public practice who acts as an auditor of client monies is required to:

- a. perform the audit and prepare the auditor's report in accordance with auditing and assurance standards

- b. comply with Section 291 – Independence – Other Assurance Engagements of the Code
- c. report any deficiency of client monies to the member’s professional body within five business days upon becoming aware of the deficiency
- d. report to the member’s professional body within **10 business days** of becoming aware of any material failure by a member, uncorrected error reflected in a statement issued by a financial institution or circumstances where client monies have not been transacted or maintained in accordance with this standard
- e. retain relevant working papers for a period of at least **seven years**
- f. obtain the written approval of the applicable professional body prior to resigning from the position of auditor of client monies.
- g. A copy of a qualified auditor's report must be forwarded by the auditor to the General Manager Public Practice at CPA Australia within **10 business days** of the completion of the audit.
- h. Although unqualified reports are not required to be lodged, they must be maintained and will be reviewed as part of the Quality Review Program.
- i. CPA Australia provides a sample client monies audit engagement letter for engagements operating under APES 310 that members can use and adapt.

Refer to the Standard for information concerning:

- i. definitions
- ii. public interest
- iii. professional competence and due care
- iv. confidentiality
- v. opening a trust account
- vi. dealing with client monies
- vii. disbursement of client monies
- viii. documentation
- ix. conformity with international pronouncements

Annex A:

- 1. Procedure 1.1.6 - Fee From Refund Processing - Trust Account**
- 2. Procedure 1.1.9 - Trust Account Clearing Credits**

- 3. Bank Account Authorisation Form (Public/Admin/Fees Register)**
- 4. Monthly MYOB Checklist for Trust Account (Public/Admin/Trust Account)**