



Friday, 18 August 2023

Mr Channa Wijesinghe  
Chief Executive Officer  
Accounting Professional and Ethical Standards Board  
Level 11  
99 William Street  
Melbourne VIC 3000

Submission by email: [enquiries@apesb.org.au](mailto:enquiries@apesb.org.au)

Dear Channa

**Proposed Standard: APES 310 Client Monies (APES 310) (the Standard).**

Chartered Accountants Australia and New Zealand (**CA ANZ**) appreciates the opportunity to provide comment on the Exposure Draft (**ED**) outlining amendments to the Standard proposed by the Accounting Professional and Ethical Standards Board (**APESB**).

CA ANZ supports the proposed amendments to the Standard which include:

- amendments to the definition of Assurance Engagement to align with the definition in APES 110 Code of Ethics for Professional Accountants (including Independence Standards) (**the Code**);
- quality management conforming amendments; and
- alignment of APES 310 to the revised ASAE 3100 issued by the Audit and Assurance Standards Board.

In **Appendix 1** we have responded to the APESB's request for specific comment. **Appendix 2** provides more information about CA ANZ. Should you have any questions about the matters raised in this submission or wish to discuss them further, please contact Josephine Haste CA, [josephine.haste@charteredaccountantsanz.com](mailto:josephine.haste@charteredaccountantsanz.com)

Yours sincerely,

**Vanessa Chapman**

Group Executive, General Counsel and Corporate Assurance

## Appendix 1

## Responses to Request for Specific Comments

“Taking into account public interest considerations and the need for professional accountants in public practice to have robust processes to safeguard third-party assets, APESB is seeking respondents’ specific comments and feedback as to whether they have experienced any practice issues in complying with the requirements of this standard, such as opening a trust account or the operation of client bank accounts. APESB is also seeking stakeholder comments on existing mechanisms or processes that may facilitate or hinder the operation of this standard.”<sup>1</sup>

We acknowledge that financial technology has reduced the need for many public practitioners to operate trust accounts, however a significant proportion of members continue to operate trust accounts due to the types of services they offer to their clients. Members of CA ANZ have experienced practical and public interest issues complying with some requirements of APES 310.

### 1. Obtaining a complying trust account from a financial institution.

*1a) Our members continue to report difficulties or an inability to open a bank account containing the term ‘Trust Account’ as required by paragraph 5.1 of the extant APES 310.*

There is inconsistency throughout the banking sector in the application of regulations applying to who can open a trust account. Our members report that the ability to open a trust account with their preferred financial institution can vary between complete refusal to acceptance which can often depend on the location or branch where the account is held. This has caused confusion to members and uncertainty regarding the consequences when non-compliance with the Standard is out of the member’s control.

We, and we understand the other professional bodies, have consulted with leading financial institutions to determine the ability and appetite for them to offer a financial product that complies with the Standard. Without a legislative imperative, financial institutions are reluctant to offer such a product.

We have been advised that financial institutions can only open an account including the phrase “Trust Account” where there is a legislative requirement to operate a trust account. Examples of professions where there is a legislative imperative to operate a trust account include solicitors, real estate agents, conveyancers, and some other state-based entities such as collections agents (QLD) and settlement agents (WA). APES 310 is not a legislative instrument and therefore does not satisfy eligibility requirements to open a trust account.

In the absence of legislation requiring professional accountants to hold a trust account, CA ANZ recommends that the Standard be amended to remove the requirement for the term ‘trust account’ to be included in the title of the client monies bank account. An alternative may be a requirement to name the account in a manner that clearly differentiates it from the practice’s other operating accounts.

---

<sup>1</sup> ED 04/23 Client Monies issued by the APESB

*1b) We have been informed by our members that it is exceptionally difficult to open a bank account which excludes a right of set off as required by paragraph 5.3 of the extant APES 310.*

Our members report that they have encountered difficulties in obtaining a client monies bank account that excludes a right of set-off against other practice accounts held by the same financial institution. An account with a right of set-off increases risk to the public interest as the bank may be entitled to offset overdrawn accounts against other accounts held by the practice that are in credit, such as the client monies account. The only option available to members in these circumstances is to attempt to open an account at a financial institution where no practice accounts are held.

Where it is not possible to exclude a right of set-off when opening or operating a client monies account, CA ANZ recommends that the Standard require the account used for client monies to be held at a financial institution other than the institution that holds the business/practice operating accounts.

## 2. Public Interest Considerations when transacting client monies.

*2a) Our members who co-authorise transactions in a Client Bank Account with the client, have raised concerns regarding the public interest benefit of obtaining a limited assurance report in accordance with paragraph 7.3. of the extant APES 310*

Our members report that increasingly, they are declining to act as a co-signatory for authorising client transactions. This is due to the costs associated with obtaining assurance in accordance with the Standard. APES 310 requires these costs to be met by the professional accountant.<sup>2</sup>

CA ANZ recommends that application material be included at paragraph 7.5 to clearly indicate that while the cost of any assurance engagement shall be borne by the member in public practice, these costs may be recouped via an appropriate overhead allocation rate.

When a professional accountant undertakes an engagement to co-authorise banking transactions for a client, this engagement will be completed in accordance with the terms and conditions agreed between the client and accountant. The client is expected to apply their risk appetite to the selection of the accountant, the manner in which they conduct their banking transactions and the controls they require to be in place at their organisation and at their accountant's practice. Engaging the accountant to co-authorise transactions may be deemed by clients as an important internal control for their business. This is not due to the requirements of APES 310 but simply because the accountant is external to management.

To reduce familiarity threats or the risk of complacency in the approval of transactions by the client, CA ANZ recommends that more appropriate management of any residual risk to the public interest may be achieved through:

- Disclosure in the engagement letter of the associated risks of joint or sole client authorisation of transactions prepared by the professional accountant and the client's responsibilities in reducing these risks to an acceptable level.
- Recognition of, and processes to address these risks be included in the professional accountant's risk management manual in compliance with APES 325 *Risk Management for Firms*. Risk management processes may include external review of transactions should the client deem it necessary.

<sup>2</sup> APES 310 paragraph 7.5

- Varying the Standard so that obtaining assurance **may** be a risk management response rather than requiring a limited assurance engagement be completed.
- Amending the application material at paragraph 7.3 to reflect the above recommendations.

## Appendix 2

### About Chartered Accountants Australia and New Zealand

Chartered Accountants Australia and New Zealand (CA ANZ) represents 136,000 financial professionals, supporting them to make a difference to the businesses, organisations and communities in which they work and live. Chartered Accountants are known as Difference Makers. The depth and breadth of their expertise helps them to see the big picture and chart the best course of action.

CA ANZ promotes the Chartered Accountant (CA) designation and high ethical standards, delivers world-class services and life-long education to members and advocates for the public good. We protect the reputation of the designation by ensuring members continue to comply with a code of ethics, backed by a robust discipline process. We also monitor Chartered Accountants who offer services directly to the public.

Our flagship CA Program, the pathway to becoming a Chartered Accountant, combines rigorous education with mentored practical experience. Ongoing professional development helps members shape business decisions and remain relevant in a changing world.

We actively engage with governments, regulators and standard-setters on behalf of members and the profession to advocate boldly in the public good. Our thought leadership promotes prosperity in Australia and New Zealand.

Our support of the profession extends to affiliations with international accounting organisations.

We are a member of the International Federation of Accountants and are connected globally through Chartered Accountants Worldwide and the Global Accounting Alliance. Chartered Accountants Worldwide brings together members of 15 chartered accounting institutes to create a community of more than 1.8 million Chartered Accountants and students in more than 190 countries. CA ANZ is a founding member of the Global Accounting Alliance which is made up of 10 leading accounting bodies that together promote quality services, share information and collaborate on important international issues.

We have a strategic alliance with the Association of Chartered Certified Accountants. The alliance represents more than 870,000 current and next generation accounting professionals across 179 countries and is one of the largest accounting alliances in the world providing the full range of accounting qualifications.

We employ more than 500 talented people across Australia, New Zealand, Singapore, Malaysia, Hong Kong and the United Kingdom.