

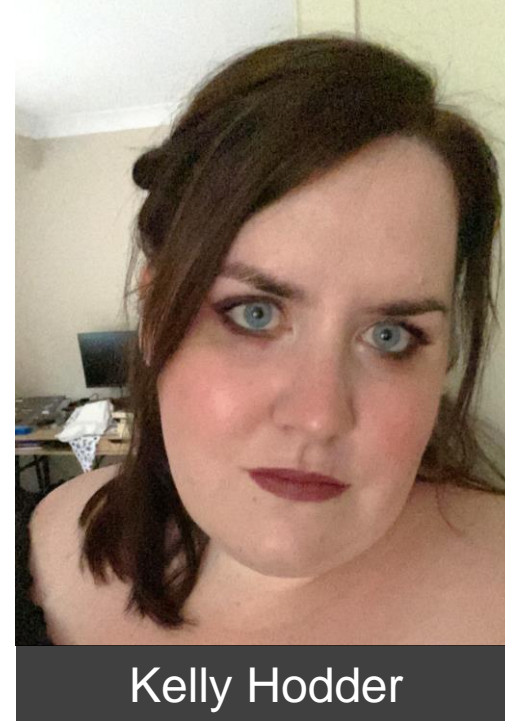


# Auditing trust accounts

The trust account framework



# Presenters





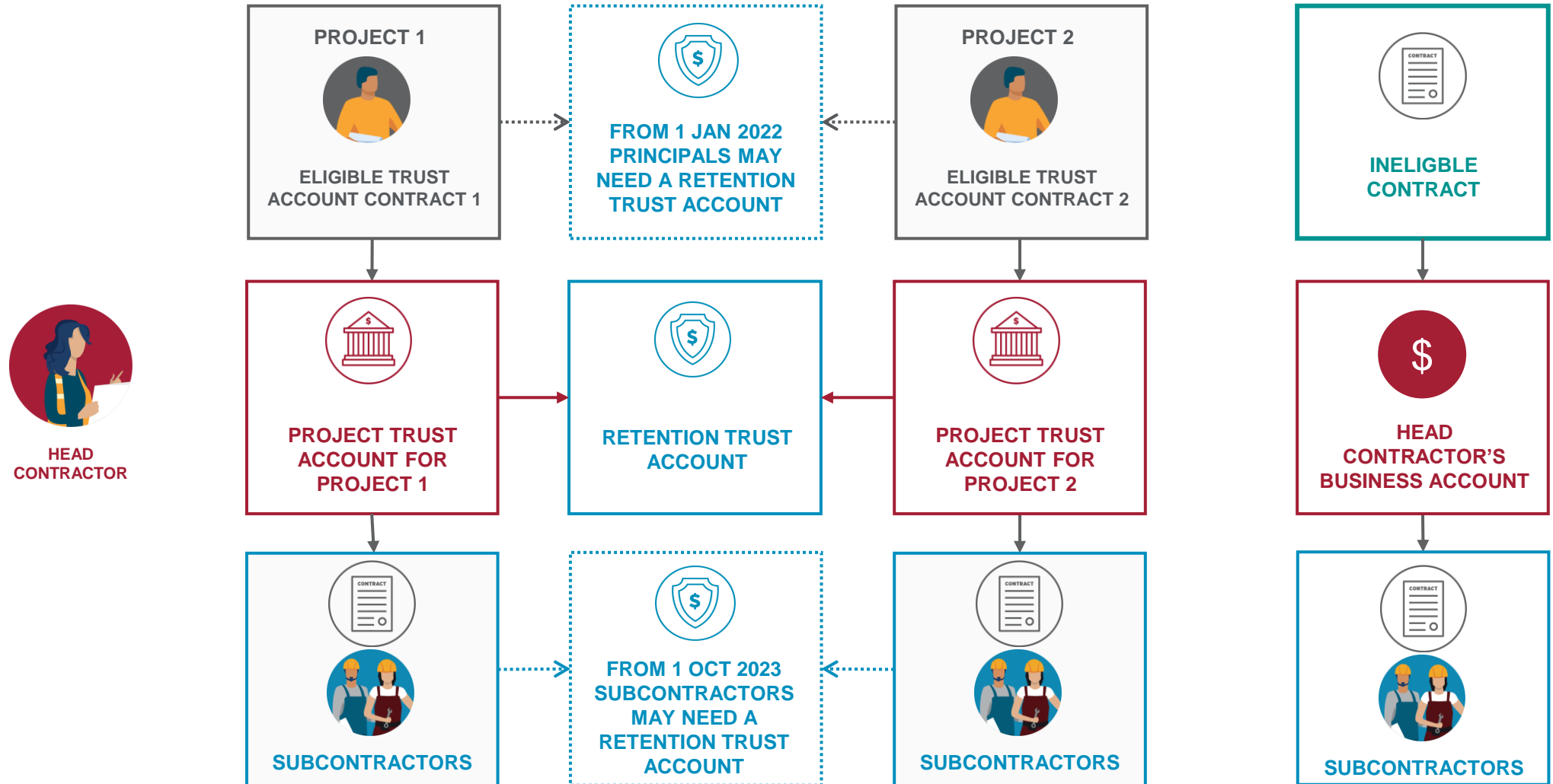
# Session overview

- Trust account overview
- Obligations
- Trust account reviews
- Trust records
- Auditing a trust account
- Account review report
- Using myQBCC
- Question and Answer session

# Trust account overview



# Trust account framework





# Retention trust account deposits

Only the trustee can make deposits into the retention trust account, and only in particular circumstances.



## Only the trustee can deposit amounts:

- ✓ that are cash retentions amounts
- ✓ to repay an incorrect withdrawal
- ✓ to top up the account
- × they cannot deposit non-eligible cash retention amounts.



# Retention trust account withdrawals

Only the trustee can withdraw or transfer amounts from the retention trust account, and only in particular circumstances.



## Only the trustee can withdraw amounts:

- ✓ to pay a retention amount to:
  - 1) the party it was withheld from
  - 2) the trustee or
  - 3) another person engaged to correct incomplete or defective work
- ✓ to claim interest earned.
- × they cannot borrow money to pay other bills/amounts owed or fund new projects.

# Obligations





# General obligations

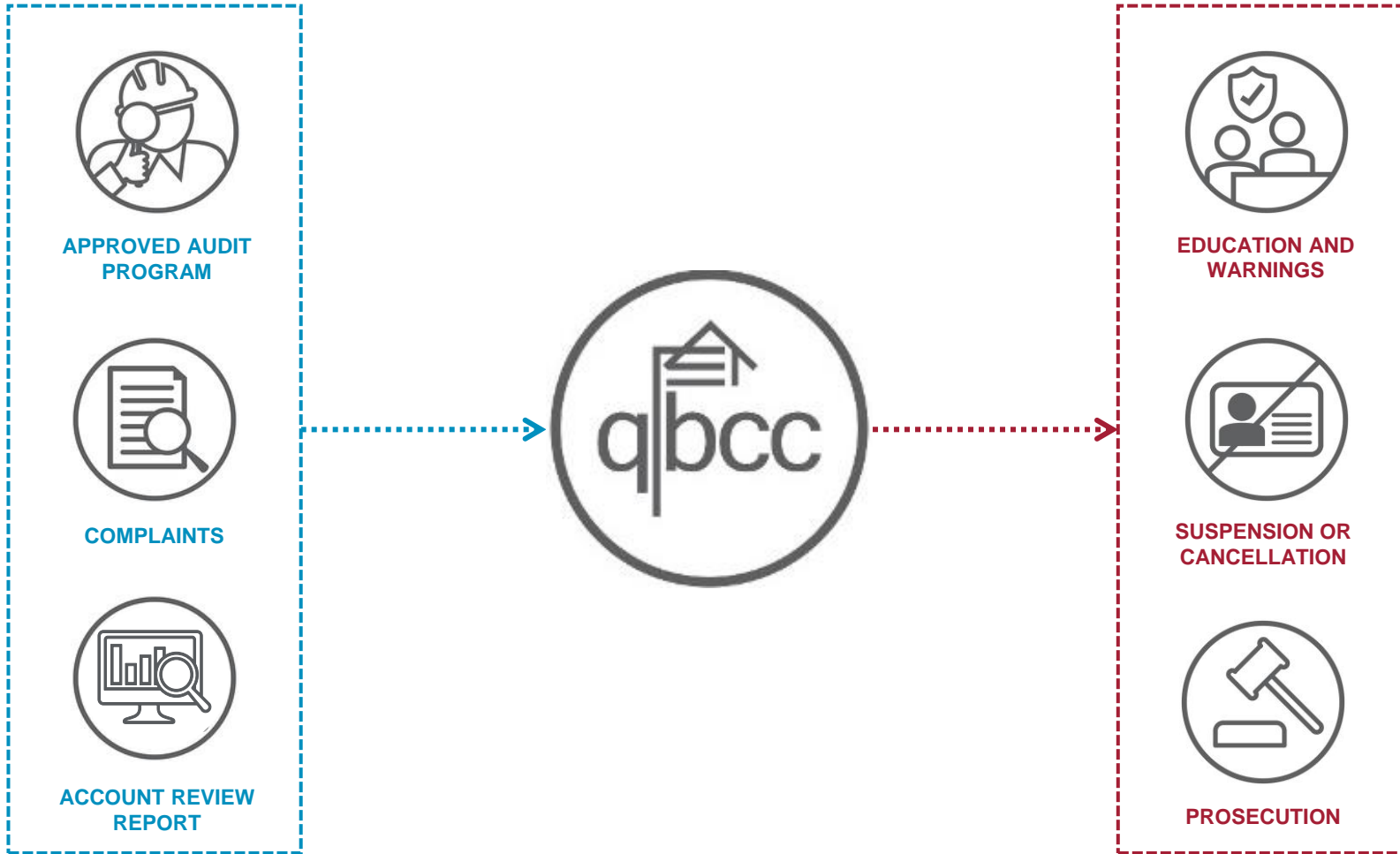
As an auditor, your obligations include:

- be a registered company auditor
- be independent of the trustee
- must not be excluded by the QBCC
- meet the prescribed timeframes
- report any serious breaches to the QBCC
- prepare and submit the account review report with the required information.





# QBCC regulatory approach



# Trust account reviews



# What is an account review?

An independent review of the administration of a trust account and compliance with legislative requirements.

It will be a reasonable assurance engagement.

**For retention trust accounts– for prescribed review periods**

- annually
- upon closure of an account
- if directed by the QBCC.





# Exemption

A trustee is exempt from engaging an auditor if:

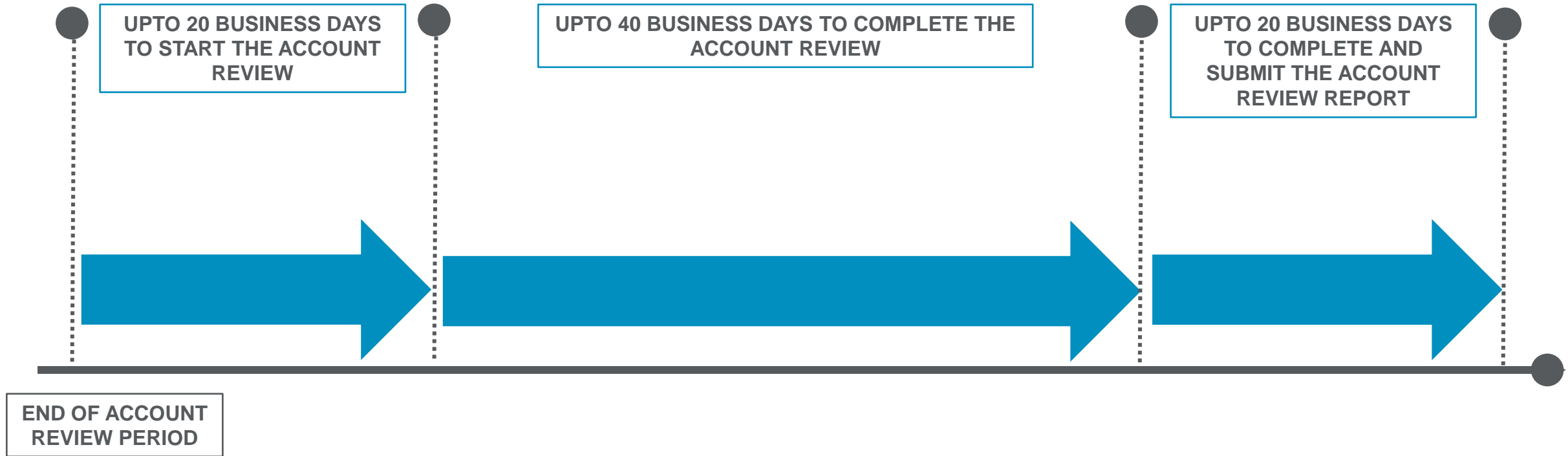
- no retention amounts were held in the trust account during the review period
- they notify the QBCC that they are not engaging an auditor.

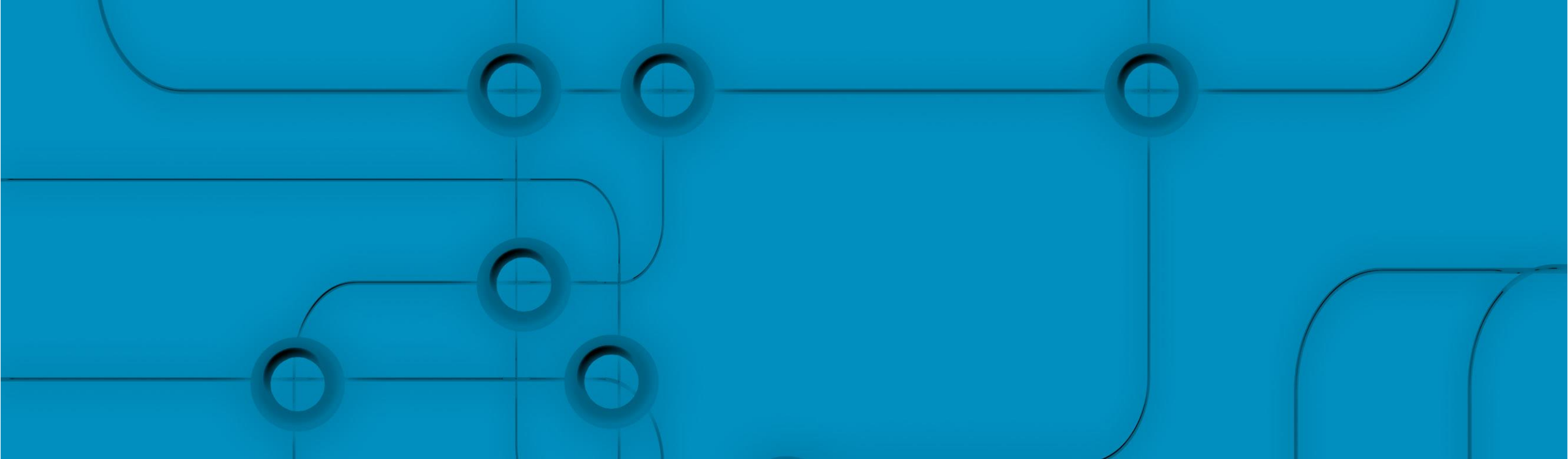
The trustee must notify the QBCC within 10 business of the end of the period.





# Account review timeframes



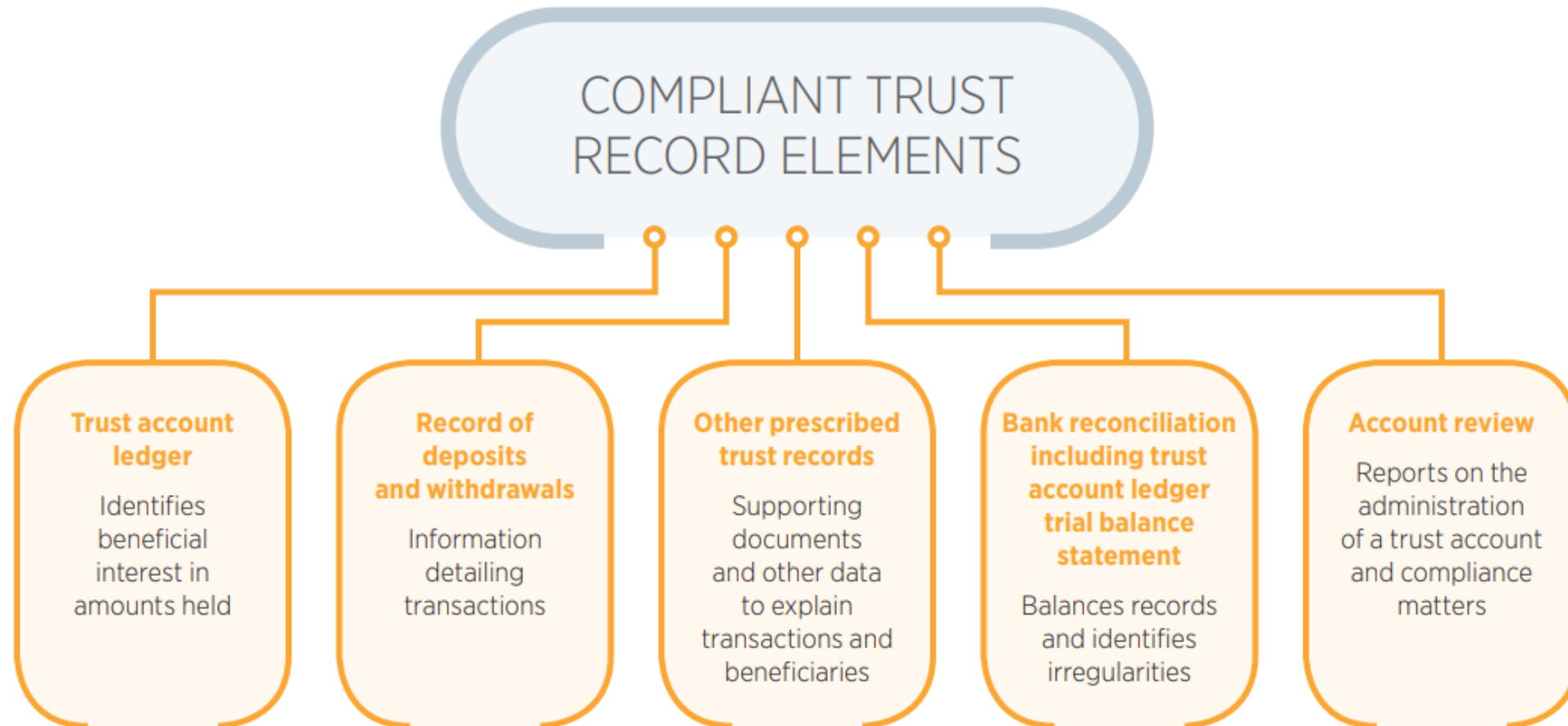


Let's take a quick break!

# Trust financial records



# What information should be available?





# What have we seen so far?

For the **trust account ledger**, we are commonly seeing:

- It is not separate from the normal business ledger
- It doesn't trace the ownership of the money - 'beneficial interests'

For the **trust account ledger trial balance statement**:

- If it comes from the business ledger
  - it doesn't show the trustee's balance of the trust funds
  - the trial balance won't reconcile.



# Business ledger v trust accounts ledger

Each of the following is shows the separate ledger accounts in the **business ledger**:

- profit and loss accounts (e.g. sales, purchases, wages, superannuation)
- accounts payable
- accounts receivable
- bank accounts including the business, project and/or retention trust account.

Each of the following is the separate ledger account in the **retention trust account ledger**:

- each beneficiary
- trustee as a beneficiary, and
- retention trust bank account (for a retention trust ledger).



# Trial balance statement

<b>Business Ledger Trial Balance Statement for a Project</b>		
<b>For Period ended 30/4/2022</b>		
<b>Account</b>	<b>Dr</b>	<b>Cr</b>
Accounts Receivable	\$0.00	
Accounts Payable		\$115,189.90
Bank Account (Project Trust Account)	\$302,314.99	
<b>Bank Account (Retention Trust Account)</b>	<b>\$3,562.90</b>	
Cash at Bank (Business Working Account)	\$125,000.00	
Sales (P&L)		\$510,369.00
Interest Received (P&L)		\$13.99
Cost of Goods Sold (P&L)	\$194,695.00	
	\$625,562.89	\$625,562.89

<b>Trust Ledger Trial Balance Statement for Retention Trust Account (RTA)</b>		
<b>For Period ended 30/4/2022</b>		
<b>Account</b>	<b>Dr</b>	<b>Cr</b>
<b>Bank Account (Retention Trust Account)</b>	<b>\$3,562.90</b>	
CA Carpenter Pty Ltd		\$1,950.00
NJ Plumbing Pty Ltd		\$1,602.90
Trustee Pty Ltd		\$10.00
	\$3,562.90	\$3,562.90



# Example ledgers for head contractor

Business Ledger Journals for Project					Trust Ledger Journals for <u>Project Trust Account (PTA)</u>					Trust Ledger Journals for <u>Retention Trust Account (RTA)</u>				
Date	Transaction Details	Memo	Dr	Cr	Date	Transaction Details	Dr	Cr	Date	Transaction Details	Memo	Dr	Cr	
14/03/2022	Cost of Goods Sold (P&L)		\$32,058.00		31/03/2022	Trustee Pty Ltd	\$32,058.00							
	Accounts Payable - NJ Plumbing Pty Ltd			\$32,058.00		NJ Plumbing Pty Ltd		\$32,058.00						
	50 Take up liability to NJ Plumbing Pty Ltd - payment claim #21 - due 31/3/2022					50 Take up Beneficial Interest to NJ Plumbing Pty Ltd - payment claim #21 - due 31/3/2022								
16/03/2022	Cost of Goods Sold (P&L)		\$43,058.00											
	Accounts Payable - CA Carpenter Pty Ltd			\$43,058.00										
	53 Take up liability to CA Carpenter Pty Ltd - payment claim #300 - due 31/3/2022													
24/03/2022	Accounts Payable - CA Carpenter Pty Ltd		\$4,058.00		24/03/2022	Trustee Pty Ltd	\$39,000.00							
	Cost of Goods Sold (P&L)			\$4,058.00		CA Carpenter Pty Ltd		\$39,000.00						
	55 Varying the amount on the payment schedule issued to CA Carpenter Pty Ltd - payment Schedule #851 - due 31/3/2022					55 Take up Payment schedule after varying the amount and beneficial Interest date - payment Schedule #851 - due 31/3/2022								
31/03/2022	Accounts Payable - CA Carpenter Pty Ltd	- Payment Schedule #851	\$37,050.00		31/03/2022	CA Carpenter Pty Ltd	- Payment Schedule #851	\$37,050.00						
	Accounts Payable - NJ Plumbing Pty Ltd	- Payment Claim #21	\$30,455.10			NJ Plumbing Pty Ltd	- Payment Claim #21	\$30,455.10						
	Accounts Payable - AD Electrician Pty Ltd	- Payment Claim #210	\$12,000.00			AD Electrician Pty Ltd	- Payment Claim #210	\$12,000.00						
	Bank Account (Project Trust Account)			\$79,505.10		Bank Account ( Project Trust Account)		\$79,505.10						
	56 To take up the payments net of retentions to contractors from the trust account					56 To take up the payments net of retentions to contractors from the trust account								
31/03/2022	Bank Account (Retention Trust Account)		\$3,552.90		31/03/2022	CA Carpenter Pty Ltd	- Payment Schedule #851 Varied (retained amount)	\$1,950.00		31/03/2022	Bank Account (Retention Trust Account)		\$3,552.90	
	Bank Account (Project Trust Account)			\$3,552.90		NJ Plumbing Pty Ltd	- Payment claim #21 (retained amount)	\$1,602.90			CA Carpenter Pty Ltd	- Payment Schedule #851 Varied (retained amount)	\$1,950.00	
						Bank Account ( Project Trust Account)		\$3,552.90			NJ Plumbing Pty Ltd	- Payment claim #21 (retained amount)	\$1,602.90	
	57 To take up the payments of retentions to the retention trust account					57 To take up the payments of retentions to the retention trust account					57 To take up the payments of retentions to the retention trust account - Trustee Pty Ltd			
15/04/2022	Bank Account (Retention Trust Account)		\$10.00							15/04/2022	Bank Account (Retention Trust Account)		\$10.00	
	Interest Received (P&L)			\$10.00							Trustee Pty Ltd		\$10.00	
	60 To take up interest earned on the retention trust account										60 To take up interest earned on the retention trust account			

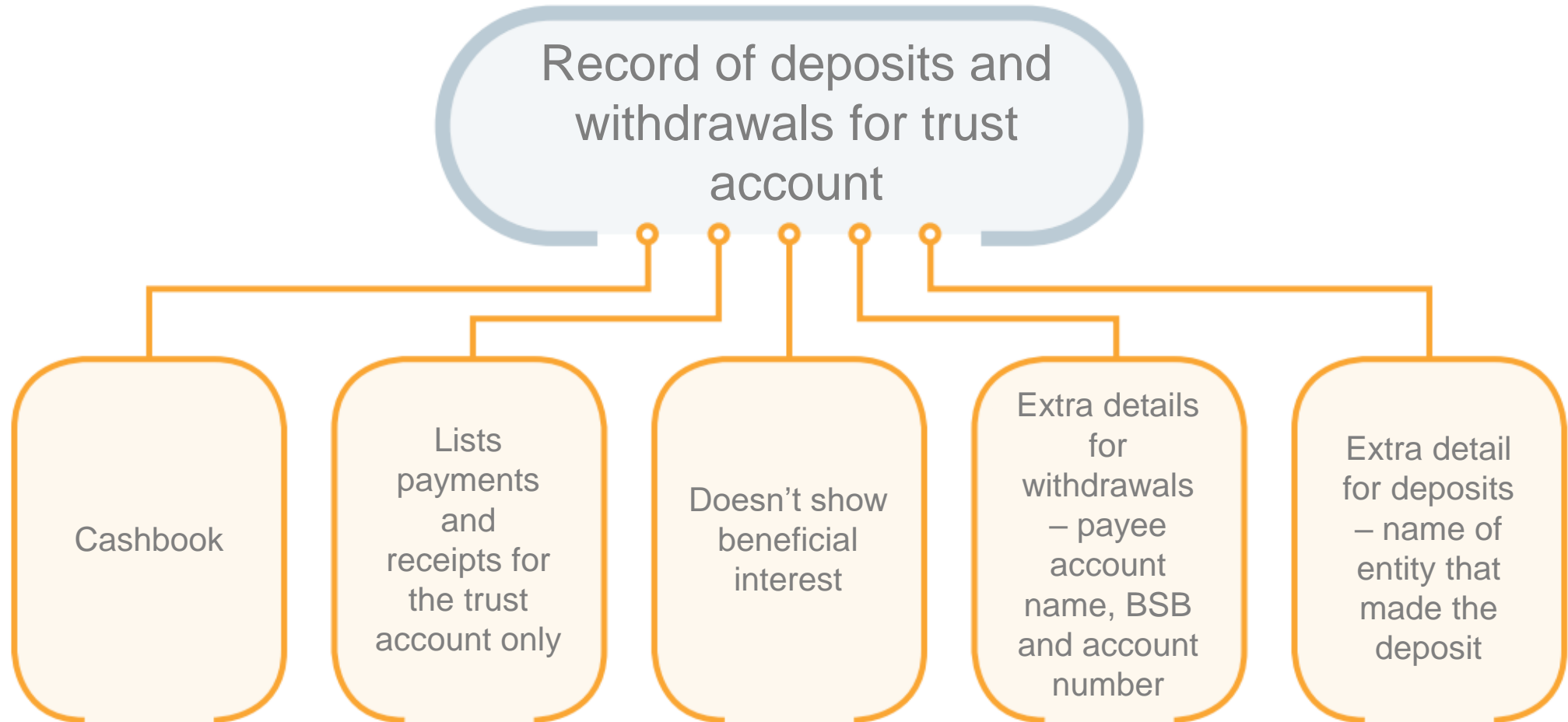


# Example for principal

Business Ledger Journals					Trust Ledger Journals for <u>Retention Trust Account (RTA)</u>				
Date	Transaction Details	Memo	Dr	Cr	Date	Transaction Details	Memo	Dr	Cr
14/03/2022	Cost of Goods Sold (P&L)		\$32,058.00						
	Accounts Payable - NJ Plumbing Pty Ltd			\$32,058.00					
	50 Take up liability to NJ Plumbing Pty Ltd - payment claim #21 - due 31/3/2022								
16/03/2022	Cost of Goods Sold (P&L)		\$43,058.00						
	Accounts Payable - CA Carpenter Pty Ltd			\$43,058.00					
	53 Take up liability to CA Carpenter Pty Ltd - payment claim #300 - due 31/3/2022								
24/03/2022	Accounts Payable - CA Carpenter Pty Ltd		\$4,058.00						
	Cost of Goods Sold (P&L)			\$4,058.00					
	55 Varying the amount on the payment schedule issued to CA Carpenter Pty Ltd - payment Schedule #851 - due 31/3/2022								
31/03/2022	Accounts Payable - CA Carpenter Pty Ltd	- Payment Schedule #851	\$37,050.00						
	Accounts Payable - NJ Plumbing Pty Ltd	- Payment Claim #21	\$30,455.10						
	Accounts Payable - AD Electrician Pty Ltd	- Payment Claim #210	\$12,000.00						
	Bank Account (Business Working Account)			\$79,505.10					
	56 To take up the payments net of retentions to contractors from the trust account								
31/03/2022	Bank Account (Retention Trust Account)		\$3,552.90		31/03/2022	Bank Account (Retention Trust Account)		\$3,552.90	
	Bank Account (Business Working Account)			\$3,552.90		CA Carpenter Pty Ltd	- Payment Schedule #851 Varied (retained amount)		\$1,950.00
						NJ Plumbing Pty Ltd	- Payment claim #21 (retained amount)		\$1,602.90
	57 To take up the payments of retentions to the retention trust account					57 To take up the payments of retentions to the retention trust account - Trustee Pty Ltd			
15/04/2022	Bank Account (Retention Trust Account)		\$10.00		15/04/2022	Bank Account (Retention Trust Account)		\$10.00	
	Interest Received (P&L)			\$10.00		Trustee Pty Ltd			\$10.00
	60 To take up interest earned on the retention trust account					60 To take up interest earned on the retention trust account			



# Record of deposits and withdrawals





# Record of deposits and withdrawals

## Trust Ledger Record of Deposits and Withdrawals for **Retention Trust Account (RTA)**

Date	Audit No.	Transaction Details	Account	BSB	Account No.	Transaction Amount	Balance
31/03/2022	57	To take up the payments of retentions to the retention trust account - Trustee Pty Ltd	CA Carpenter Pty Ltd	064258	258569	\$1,950.00	\$1,950.00
31/03/2022	57	To take up the payments of retentions to the retention trust account - Trustee Pty Ltd	NJ Plumbing Pty Ltd	069865	3698252	\$1,602.90	\$3,552.90
15/04/2022	68	To take up interest earned on the retention trust account	Trustee Pty Ltd			\$10.00	\$3,562.90



# Auditing a trust account

# Main sections of the act to audit against

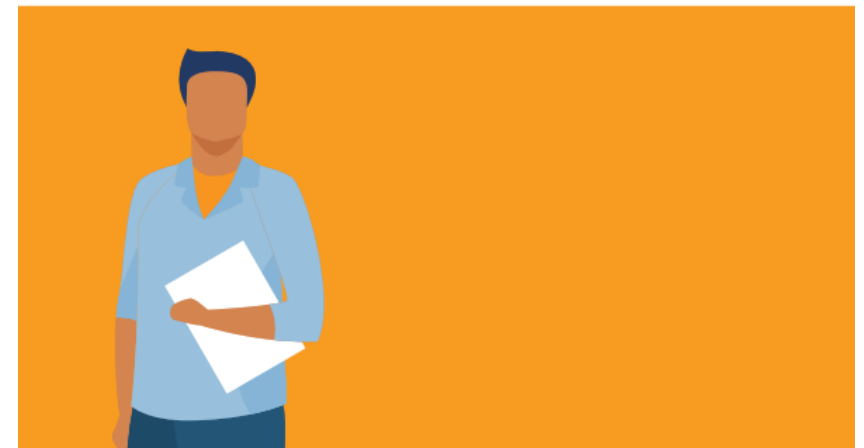
The trust auditor guide provides a full break down for the requirements and sections of the BIF Act.

However, some key sections include:

- Section 52
  - trust record requirements
- Section 35, 35A and 36
  - deposits and withdrawals.



## AUDITOR GUIDE: TRUST ACCOUNTS



Building Industry Fairness (Security of Payment) Act 2017

# What is an account review report

An account review report must include the following:

- information about the auditor and the trust account that was reviewed
- statements from the auditor
  - the auditor is independent of the trustee
  - the trust records have been examined
  - the trustee has complied with all administration requirements
- details of any irregularities and non-compliance identified
- an explanation of the review methodology.



# Reporting serious breaches

Serious breaches found during the account review must be reported to the QBCC within 5 business days.

QBCC expects the following types of breach to be reported:

- wilful breaches by the trustee that cause or are likely to cause loss to a beneficiary
- repeated failure by the trustee to comply with their obligations.



Getting started **Complaint** Supporting information Declaration

Cancel Save for Later

Trust account complaint form Fields marked with \* are required

## Help us investigate

We value the information provided about trust account offences but have limited capacity to progress unsubstantiated claims. The evidence provided will support our investigations.

Note that the QBCC's ability to investigate trust account complaints is governed by the *Building Industry Fairness (Security of Payment) Act 2017*.

**Trust account details (where known):**

\* Do you know the trust account details?  
 Yes  
 No

\* Trust account type: ⓘ  
 Project Trust Account  
 Retention Trust Account

Trustee name

BSB  Account Number

Any other details to help identify the trust account:

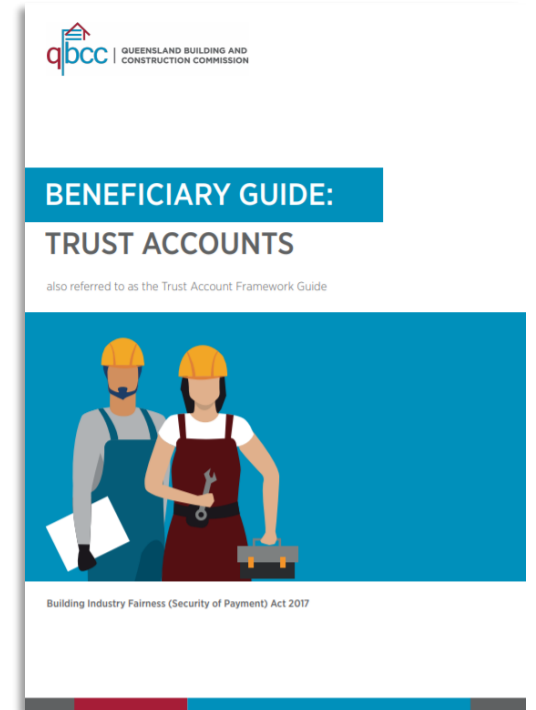
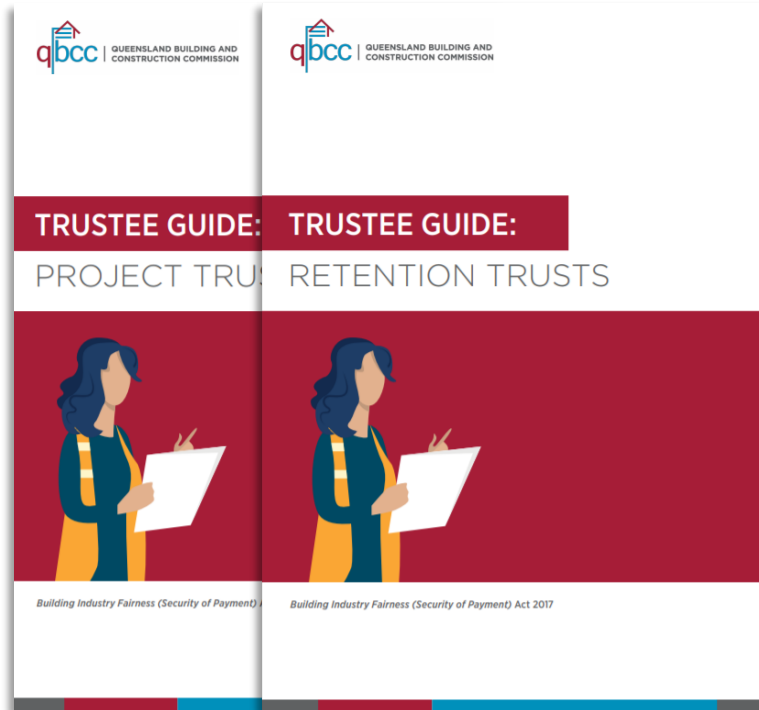


# Submitting the account review report

# More information

There are detailed guides on the QBCC website that step through the requirements for both project trust accounts and retention trust accounts.

You can access these by selecting Resources on the QBCC website.



# Questions

# Thank you

The information given during presentations is of a general and educative nature only and does not amount to legal, financial or specialist advice and should not be relied upon for the purpose of making business or other decisions.

While every endeavour is made to ensure information is correct, we can't guarantee the currency or accuracy of any information.

Despite the fact presenters may work for the QBCC, any views expressed are the views of the employee and do not necessarily accord with the views of the QBCC.

**For more information**

Visit [qbcc.qld.gov.au](http://qbcc.qld.gov.au) or call us on **139 333**.

