

In this KLiP, we will cover:

### **Custody of Client Assets**

Holding client assets creates a self-interest or other threat to compliance with the principles of professional behaviour and objectivity. In this section, the Code sets out specific requirements and application material relevant to applying the conceptual framework in such circumstances.

#### **Things to bear in mind before taking custody:**

A professional accountant shall not assume custody of client money or other assets unless permitted to do so by law and in accordance with any conditions under which such custody may be taken.

Before accepting to take custody of client's money or assets, a professional accountant shall follow the following procedures:

- (a) Make inquiries about the source of the assets; and
- (b) Consider related legal and regulatory obligations.

Inquiry about the source of client assets might reveal, for example, that the assets were derived from illegal activities, such as money laundering. In such circumstances, a threat to compliance would be created, and to address these threats the professional accountant shall apply the provisions of the Code: Responding to Non-Compliance with Laws and Regulations.

#### **Things to bear in mind after taking custody:**

A professional accountant entrusted with money or other assets belonging to others, shall

- (a) Comply with the laws and regulations relevant to holding and accounting for the assets;
- (b) Keep the assets separately from personal or firm assets;
- (c) Use the assets only for the purpose for which they are intended; and
- (d) Be ready at all times to account for the assets and any income, dividends, or gains generated, to any individuals entitled to that accounting.

With this, we come to the end of the KLiP on custody of assets. In the next KLiP, the topic for discussion would be responding to non-compliance with laws and regulations.