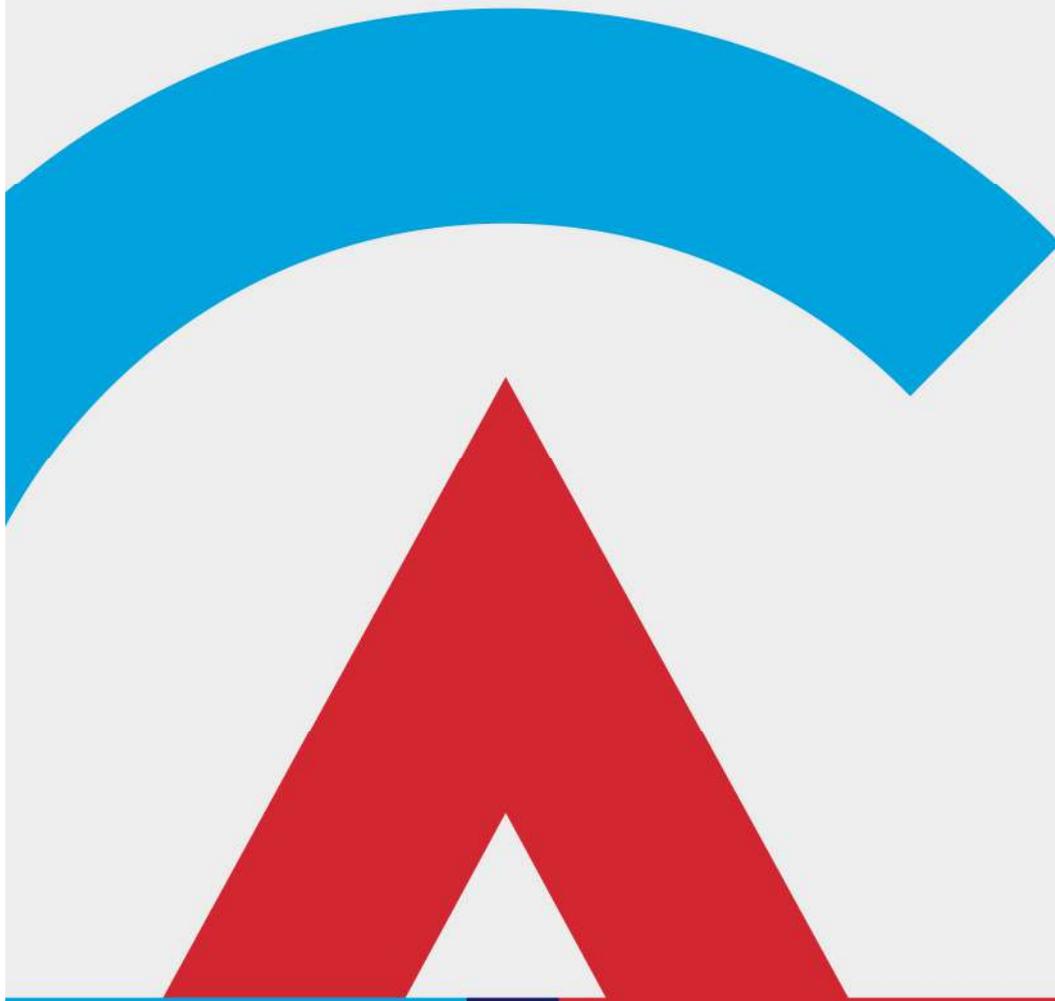


Chartered Accountants Australia and New Zealand Professional Standards Scheme

Public notification document



Chartered Accountants Australia and New Zealand

1. Who is Chartered Accountants Australia and New Zealand and what are its objectives?

Chartered Accountants Australia and New Zealand (CA ANZ) is a professional association for professional accountants. CA ANZ's membership comprises over 120,000 members who utilise their professional accounting skills every day to make a difference for businesses the world over. Members are known for their professional integrity, principled judgment, financial discipline and a forward looking approach to business, which contributes to the prosperity of our nations.

CA ANZ's principal objects, as set out in our Supplemental Royal Charter, include advancing the theory and practice of accountancy in all its aspects and promoting quality, expertise and integrity in the profession of accountancy by its members. To realise these objects we focus on the education and lifelong learning of our members, prescribe high standards of practice and professional conduct, and maintain the observance of such standards. We also engage in advocacy and thought leadership in areas of public interest that impact the economy and domestic and international markets.

2. Who are the members of CA ANZ?

CA ANZ members include Chartered Accountants (or Chartered Accountants Fellows), Affiliate Members, Associate Chartered Accountants (or Associate Chartered Accountant Fellows), Accounting Technicians (or Accounting Technician Fellows), Practice Entity Members and Provisional Members (being registered graduates).

CA ANZ's admission requirements are designed to admit only aspiring professional accountants, qualified accountants, or Affiliates, with an appropriate level of professional competence to maintain the high standards of practice and professional conduct expected of our members and registered graduates.

All CAANZ members who are participants in the Scheme must be covered by a complying professional indemnity insurance policy.

The Professional Standards Scheme

1. What is CA ANZ's Professional Standards Scheme?

CA ANZ's professional standards scheme is a legal instrument that binds CA ANZ to monitor, enforce and improve the professional standards of its members, and protect consumers of those professional services.

In return for these commitments, the Scheme caps the civil liability or damages that participants in the Scheme may be required to pay if a court upholds a claim against them.

2. Who administers the Scheme?

Responsibility for administering the Scheme and ensuring compliance with the requirements of the *Professional Standards Act 1994* (the Act) and of the Professional Standards Council (PSC) rests with the CA ANZ Board and the CA ANZ senior executives, predominately the Chief Executive Officer and the Group Executive, Advocacy and Professional Standing.

3. Has CA ANZ previously administered a Scheme? For how long?

CA ANZ has administered a Scheme since 9 October 1997.

4. In what states & territories does the Scheme operate?

The Scheme is intended to apply in all states and territories where mutual recognition provisions exist - New South Wales, Victoria, Queensland, Northern Territory, Australian Capital Territory, Western Australia, South Australia and Tasmania.

5. What types of work will the Scheme cover?

The Scheme only limits the 'Occupational Liability' of a participant for damages arising from a claim to the extent to which the liability results in damages exceeding \$2 million. Occupational Liability is defined in the relevant legislation as "*civil liability arising (in tort, contract or otherwise) directly or vicariously from anything done or omitted by a member of an occupational association acting in the performance of his or her occupation*". For the purposes of the Scheme and the legislation, the occupation is the profession of accounting.

The Scheme does not limit liability for damages arising for any matter to which the Act does not apply. This includes but is not limited to death or personal injury, a breach of trust, fraud or dishonesty, and liability the subject of proceedings under Parts 13 and 14 of the *Real Property Act 1900 (NSW)*.

6. When will the Scheme commence?

The Scheme will commence on 8 October 2019.

7. What class (es) of CA ANZ members will the Scheme be available to?

Participation in the CA ANZ Scheme is limited to members of CA ANZ in practice in Australia, being members who:

- (i) hold a current Australian Certificate of Public Practice (CPP);
- (ii) Affiliate Members; or
- (iii) incorporated Practice Entity Members.

The Scheme also applies to all persons to whom it applies by virtue of the Act (being officers, partners and employees of those who are covered by the Scheme).

8. What members will the Scheme not apply to?

Members are not participants in the Scheme if they do not hold a CPP, are not Affiliate Members, Practice Entity Members or who are not employees, officers or partners of those members. These are CA ANZ members that we refer to as “members in business”, generally working in commerce, government, not for profit entities or academia. In these roles they do not offer accounting services to the public for reward so are not classified as being in practice.

CA ANZ members resident in New Zealand or other countries are not participants in the Scheme regardless of type of membership.

Operation of the Scheme

1. How is the level of limited liability of participating CA ANZ members determined?

The Scheme provides participating members with the benefit of a statutory cap if damages are awarded against them because of a successful occupational liability claim. Under the Scheme, the person must have the benefit of business assets or insurance to an amount at least equal to the liability cap (monetary ceiling) applying to that person at the relevant time.

The monetary ceiling (maximum amount of liability) applicable for the purposes of limitation of liability under the Scheme at the relevant time are set out in the following table:

	Audit	Insolvency	Other Services
Where highest fee is \$100k	\$2 million	\$2 million	\$2 million
Where highest fee is ≥\$100k but < \$300k	\$5 million	\$5 million	\$5 million
Where highest fee is ≥\$300k but <\$500k	\$10 million	\$10 million	\$10 million
Where highest fee is ≥\$500k but <\$1million	\$20 million	\$20 million	\$20 million
Where highest fee is ≥\$1million but <\$2.5million	\$50 million	\$20 million	\$20 million
Where highest fee is ≥\$2.5million	\$75 million	\$20 million	\$20 million

The Scheme confers discretionary authority to CA ANZ to allow a higher maximum amount of liability (to \$75 million) than would otherwise apply under the Scheme. The discretion can be for a specified case or class of case and requires application to CA ANZ by the participant of the Scheme.

2. How will consumers know if a CA ANZ member is covered by the Scheme?

All Scheme participants are required to display the disclosure statement “*Liability limited by a scheme approved under Professional Standards Legislation*” on their business documents sent to existing and potential clients. Business documents include but are not limited to:

- Letterhead and letters;
- Fax cover sheets;
- Emails;
- Newsletters and other publications;
- The Practice Entity’s website;
- Written advice;
- Memorandum of fees and invoices unaccompanied by a separate document with the disclosure statement.

3. How long will the Scheme operate for?

It is proposed that the Scheme will operate for 5 years from the date of commencement.

Benefits of the Scheme

1. How will consumers benefit from the Scheme?

The Scheme assures that consumers are well served by ethical and competent professional accountants. Scheme participants must adhere to the highest professional standards and conduct and hold a professional indemnity insurance policy that complies with CA ANZ Regulation CR 2A. Being a member of a profession means being governed by a code of ethics, and having a commitment to competence, integrity, morality, altruism and the promotion of public good within their expertise. Professionals are accountable to those they serve and to the public.

CA ANZ conducts monitoring of Scheme participants to ensure they meet the ethical and professional standards required of them.

2. How does the Scheme enhance the professional standards of CA ANZ members?

The PSC expects CA ANZ, as an association seeking approval of a Scheme, to demonstrate that its members in public practice form a professional group that can protect consumers and manage risk. This includes the requirement that CA ANZ regulates its members in such a manner so as to maintain and improve professional standards.

Consistent with these expectations, which are shared by the CA ANZ Board, CA ANZ has implemented a number of strategies aimed at enhancing the professional standards of its members. These include but are not limited to:

Risk Management Framework and Practices

CA ANZ has adopted the principles of risk management as set out in the Risk Management Standard – *AS.NZS ISO 31000:2009 Risk Management – Principles and Guidelines* in developing its overall risk management framework.

Within this framework CA ANZ has developed a 5 Year Scheme Risk Management Plan which identifies the risks to professional standards and the Scheme and outlines key objectives and strategies CA ANZ will implement to monitor, measure, address and mitigate these risks.

Continuing Professional Development (CPD)

CPD is an important professional obligation on Scheme participants to ensure their skills and knowledge are maintained and updated.

CA ANZ members are required to undertake 90 formal CPD hours and 30 informal CPD hours each triennium. If a Scheme participant holds any registrations or specialisations they are required to undertake 40% of their CPD hours in that specialisation.

In addition to CPD requirements, members applying to enter public practice are required to undertake the Public Practice Program (PPP) which has modules dedicated to Risk Management, Ethics, Professional Standards of Public Practice accountants and the Professional Standards Scheme.

Conduct and Discipline

CA ANZ members are subject to the CA ANZ complaints and discipline process. CA ANZ has prescribed disciplinary procedures and sanctions, in order to exercise disciplinary powers and to impose sanctions for the better observance of standards of practice and professional conduct by members.

Compliance Programs - Quality Review and Scheme Questionnaire

Scheme participants are subject to Scheme compliance activities including completing the annual Scheme Questionnaire which confirms compliance with PSL and the Scheme, and practice quality reviews. Practice quality reviews incorporate PSL and Scheme compliance as well as compliance with professional standards.

3. How does limiting participant liability help consumers?

Limiting participant liability contributes to underpinning the availability of sustainable and affordable professional indemnity insurance for Scheme participants. This ensures that consumers of accountancy services will receive timely and fair compensation for legitimate claims.

In return for the benefit of capped liability, Scheme participants are required to meet the professional standards and conduct expected of them by CA ANZ. This means participating in a Scheme enhances:

- The quality of the services provided by members in practice to their clients
- Consumer protection for clients of accounting practices through compulsory insurance standards
- Viability of the public practice business model so the Australian community is provided with an ongoing pipeline of appropriately qualified, regulated and monitored accountants to discharge the duties necessary to facilitate the Australian economy.

4. Is the Scheme a professional indemnity insurance scheme?

No, the CA ANZ Scheme is not a professional indemnity insurance scheme. CA ANZ does set minimum professional indemnity insurance requirements for Scheme participants via CA ANZ Regulation CR 2A.

CA ANZ Professional Standards Scheme contact details

For further enquiries in relation to our proposed scheme, please contact the scheme compliance team at capping@charteredaccountants.com.au