CPA AUSTRALIA PROFESSIONAL STANDARDS SCHEME
PUBLIC NOTIFICATION DOCUMENT
CPA AUSTRALIA LIMITED

CPA AUSTRALIA LIMITED AND ITS OBJECTIVES

CPA Australia Limited (CPA Australia) is an occupational association of accountants whose objective is to promote excellence, enterprise and integrity on the financial, accounting and business advisory professions, while educating its Members on their duties and responsibilities.

CPA Australia was incorporated in 1952 as a consequence of a merger of three major accountancy bodies: the Commonwealth Institute of Accountants, the Federal Institute of Accountants and the Association of Accountants in Australia, and two other smaller bodies. Each of these bodies had existed for many years prior to 1952 and the organisation can trace its origins back to 1886.

CPA Australia has continued to evolve and adapt to meet the needs of the accountancy profession and the broader community. It now has a global membership of approximately 165,000 members in 125 countries.

To meet its objectives, CPA Australia has developed a corporate strategy in consultation with its Members that includes a vision and purpose focusing on providing value to its Members. The strategy positions CPA Australia where it can promote and uphold professional and ethical standards to protect consumers. The strategy will be achieved through the following CPA Australia goals:

1. To protect, promote and enhance the integrity of the designation
2. To lead the future of the accounting profession
3. To provide Members with personalised and engaging experiences
4. To provide relevant learning and development content, resources and tools
5. To attract and develop the next generation of CPAs
6. To impact policy globally and be active in community advocacy

CPA AUSTRALIA’S MEMBERS

CPA Australia has three categories of membership, as outlined in the CPA Australia By-Laws available on its website:

1. Associate (ASA)
2. Certified Practising Accountant (CPA)
3. Fellow CPA (FCPA)

CPA Australia’s Constitution only allows for individual membership and does not allow for entity/firm or corporate membership or an affiliate class of membership.

All CPA Australia Members who are participants in the Scheme must be covered by a complying professional indemnity insurance policy.
THE PROFESSIONAL STANDARDS SCHEME

WHAT IS CPA AUSTRALIA’S PROFESSIONAL STANDARDS SCHEME

CPA Australia’s professional standards scheme is a legal instrument that binds CPA Australia 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.

The Scheme will commence on 23 December 2019 and will operate in all states and territories where mutual recognition provisions exist – New South Wales, Australian Capital Territory, the Northern Territory of Australia, Victoria, Queensland, South Australia, Tasmania and Western Australia.

Responsibility for administering the Scheme and ensuring compliance with the requirements of the Professional Standards Act 1994 rests with the CPA Australia Board and senior executives.

PERSONS TO WHOM THE SCHEME APPLIES

The Scheme will apply to a class of CPAs and FCPAs who hold a Public Practice Certificate (PPC) issued by CPA Australia (referred to as Public Practitioners) providing public accounting services to the public.

The Scheme will apply to Members who hold a PPC, including:
- those who hold a Limited or Full AFSL
- those that are representatives or Authorised Representatives of those who hold an AFSL
- all Approved Practice Entities owned, managed or controlled by Members who hold a Public Practice Certificate issued by CPA Australia
- all persons to whom the Scheme applies by virtue of the professional standards legislation at the time of the relevant act or omission on which a cause of action for damages for occupational liability is founded.

CPA Australia will publish guidance to Members to help them self-assess their eligibility and conduct live chats, webinars and give Scheme advice via forums to assist Members to understand the benefits, limitations and obligations of participation.

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1 A practice entity member is a practice entity which has been admitted to membership of CPA Australia. This category of membership is available for practice entities which are entitled to use the CPA Australia description, having satisfied the necessary requirements.
INSURANCE AND BUSINESS

The CPA Scheme provides that participants will limit their liability by personal indemnity insurance (PII).

The CPA Australia By-Laws (By-Laws 9.8) prescribe variable PII requirements based on the annual income of the practice and the type of work performed. The levels of PII prescribed in the By-Laws are determined according to a risk-based assessment, which is informed by the insurance industry, claims history and market stability. Member’s must comply with CPA Australia’s By-laws, which is variously monitored by the Continuous Professional Development (CPD) audit, Quality Review Process (QRP), and the renewal process. Non-compliance is measured and subject to professional conduct.

SPECIFYING THE LIMITS OF LIABILITY

This Scheme affects a participant’s liability for damages arising from a single cause of action to the extent to which the liability results in damages exceeding the relevant limited liability cap commencing at $2 million and where the act or omission giving rise to the cause of action occurred after 23 December 2019.

The limit of liability is determined under the Scheme according to the kind of work provided by the participant as follows:

<table>
<thead>
<tr>
<th>The services provided by the participant, which is the subject of a claim</th>
<th>The participant's practice total annual revenue</th>
<th>Level of Professional Indemnity Insurance (PII) (By-Laws – Part 9)</th>
<th>Capped Liability above the Minimum PII (Scheme)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Item 1</td>
<td>Professional Accounting Services- Auditing services</td>
<td>Less than $10 million</td>
<td>$2 million</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Between $10 million and $20 million</td>
<td>$10 million</td>
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<td></td>
<td>Over $20 million</td>
<td>$75 million</td>
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<td>Item 2</td>
<td>Professional Accounting - Insolvency Services, including services that relate to Chap 5, 5A and s.233(2) of the Corporation Act 2001, Bankruptcy Act 1966, and court appointed liquidation or receivership</td>
<td>Less than $10 million</td>
<td>$2 million</td>
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<tr>
<td></td>
<td></td>
<td>Between 10 million and $20 million</td>
<td>$10 million</td>
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<td></td>
<td></td>
<td>Over $20 million</td>
<td>$20 million</td>
</tr>
<tr>
<td>Item 3</td>
<td>Public Accounting Services not including auditing and insolvency services</td>
<td>Less than $10 million</td>
<td>$2 million</td>
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<tr>
<td></td>
<td></td>
<td>Between $10 million and $20 million</td>
<td>$10 million</td>
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<td>Over $20 million</td>
<td>$20 million</td>
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</tbody>
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SCHEME REQUIREMENTS

All Scheme participants must:

- display a disclosure statement on their business documents sent to their clients that reads: “Liability limited by a scheme approved under Professional Standards Legislation”. Business documents include:
  - Your business website
  - Newsletters and publications
  - Letter if engagements
  - Receipts
  - “With compliments” slips
  - Business brochures and promotional material
  - Business letterhead
  - Tax invoices
  - Written or emailed advice to clients
  - Fax Cover sheets

- monitor their ongoing Scheme eligibility and advise CPA Australia if they become ineligible

- continue to comply with the CPA Australia Constitution & By-Laws

- continue to monitor their risk profile

BENEFITS OF THE SCHEME

Members have the benefit of having occupational civil liability capped, lowering PII premiums in the long terms through a reduction in the number of, and amount paid, to settle claims. Risk management practices have been designed to minimise the risk of claims arising in the first place.

Scheme participants are part of a professional body committed to improving public accounting services. Consumers benefit from improved standards of professionalism and ensures PII held by professionals meets required standards.

CPA AUSTRALIA PROFESSIONAL STANDARDS SCHEME CONTACT DETAILS

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