



Module 7

Professional Practice Program Co-regulatory Compliance



DISCLAIMER AND COPYRIGHT NOTICE

© Institute of Public Accountants February 2018 – all rights reserved.

This written material accompanies a spoken presentation and must be considered in conjunction with that presentation. It is prepared at February 2018 and describes the general tenor of legislation and other rules known at the time and is not intended to be relied upon as a substitute for professional advice in relation to actual facts and circumstances. The material may become out of date due to subsequent industry and/or legislative changes. No responsibility can be accepted by the Institute of Public Accountants or the presenters for loss occasioned to any person doing anything or refraining from doing anything as a result of anything contained in this presentation material.

Program completion

The IPA Professional Practice Program has been designed for IPA members in professional practice and for non-practitioners as a refresher Program.

With recognition comes responsibility. The IPA is recognised in legislation as one of the three professional accounting bodies within Australia. This means compliance with the ASIC Act and with regulations and standards set by ATO, TPB, ASIC, APESB, FRC, AASB, AUASB and IFAC.

The regulators, standard setters, government and the public all rely on the professional expertise, competence and ethics of IPA members. Therefore, the IPA has mandated that members moving into professional practice must demonstrate competence in these key areas.

It is compulsory to complete the IPA Professional Practice Program within 6 months of receiving an IPA PPC unless you have completed a Professional Practice Program with Chartered Accountants Australia + New Zealand or CPA Australia within the last 5 years.

The Program consists of self-paced study and a 2 day face-to-face workshop. You should complete the self-paced study before attending the workshop. This will take up to 80 hours, depending on your experience. To successfully complete the Program, you must:

- Attend all sessions of the Program,
- Successfully complete the assessment held at the end of the Program.

The assessment comprises of 30 multiple-choice questions and you are permitted 1 hour to complete the assessment. You may refer to your course materials, but you are not to consult any other person in or outside of the room. There is 1 mark per question and you need to obtain at least 50% to successfully complete the assessment.

If you do not successfully complete the assessment, you will be offered an opportunity to re-sit the assessment. If you are still unsuccessful, you will be required to repeat the 2 day face-to-face workshop and successfully pass the assessment. The IPA reserves the right to cancel a member's PPC in the event a member does not pass the assessment.

Module 7	Topic list:	Page
Co-regulatory Compliance	7.1 Introduction – The IPA Constitution	5
	7.1.1 Chapter 1 - Definitions	5
	7.1.2 Chapter 2 - Name, Registered Office and Objects of the Inst.	5
	7.1.3 Chapter 3 – Members	7
	7.1.4 Chapter 4 – General Meetings of the Institute	7
	7.1.5 Chapter 5 – Board of Directors	8
	7.1.6 Chapter 6 – Register of Members	8
	7.1.7 Chapter 7 – Investigation and Disciplinary Procedures	8
	7.1.8 Chapter 8 – Divisional Advisory Committees	8
	7.1.9 Chapter 9 – Ancillary Clauses	8
	7.2 Introduction – The IPA By-Laws	8
	7.2.1 Chapter 1 - Definitions	9
	7.2.2 Chapter 2 - Name, Registered Office and Objects of the Inst.	9
	7.2.3 Chapter 3 – Members	9
	7.2.4 Chapter 4 – General Meetings of the Institute	9
	7.2.5 Chapter 5 – Board of Directors	9
	7.2.6 Chapter 6 – Register of Members	9
	7.2.7 Chapter 7 – Investigation and Disciplinary Procedures	10
	7.2.8 Chapter 8 – Divisions	10
	7.2.9 Chapter 9 – Ancillary Clauses (Professional Practice)	10
	7.2.10 Chapter 10 – IFA Bye Laws (United Kingdom)	13
	7.3 IPA Pronouncements	13
	7.3.1 Authority to Issue a Pronouncement	13
	7.3.2 Requirement to Comply with a Pronouncement	14
	7.3.3 IPA Pronouncements	14
	7.3.3.1 Pronouncement 4 – Quality Assurance Reviews	14
	7.3.3.2 Pronouncement 7 – Continuing Prof Development	14
	7.3.3.3 Pronouncement 11 – Financial Planning Services	15
	7.3.3.4 Pronouncement 12 – Admin of Member Compliance	16
	7.4 IPA Professional Practice Quality Assurance (PPQA) Review	16
	7.4.1 The IFAC and Quality Assurance Reviews	16
	7.4.2 IPA PPQA Review Cycle	17
	7.4.3 Member Requirements in an IPA PPQA Review	17
	7.4.4 IPA PPQA Review Structure	18
	7.5 Professional Standards Scheme	18
	7.5.1 What is a Professional	18
	7.5.2 IPA Professional Standards Scheme	19
	7.5.3 Compliance Requirements	19
	7.5.3.1 Compliance Req. – Annual Member Declaration	19
	7.5.3.2 Compliance Req. – Disclosing your Limited Liability	20
	7.5.4 IPA Scheme Instrument	20
	7.5.5 IPA Scheme Inst. – Clause 2.2 ‘Member Exemption’	21
	7.5.6 IPA Scheme Inst. – Clause 2.4 ‘Financial Services Licensees’	21
	7.5.7 IPA Scheme Inst. – Clause 3.2 ‘PI Insurance Requirements’	22
	7.5.7.1 Clause 3.2(a)	22
	7.5.7.2 Clause 3.2(b)	24
	7.5.7.3 Clause 3.2(c)	25
	7.5.8 IPA New Scheme Application	25

7.1: Introduction – The IPA Constitution

The IPA Constitution is a formal document which documents the mission of the IPA, how the IPA is to be recognised in law and how the IPA is to be governed and managed.

The IPA Constitution can be found at:

https://www.publicaccountants.org.au/media/951394/160830_Master_Constitution_finalrebrand.pdf

The Constitution is revised from time to time and the most recent is version 2.0, dated August 2016. The Constitution has 9 chapters:

- Chapter 1 – Definitions
- Chapter 2 – Name, registered office and objects of the Institute
- Chapter 3 – Members
- Chapter 4 – General meetings of the Institute
- Chapter 5 – Board of Directors
- Chapter 6 – Register of members
- Chapter 7 – Investigation and disciplinary procedures
- Chapter 8 – Divisional Advisory Committees
- Chapter 9 – Ancillary clauses.

7.1.1: Chapter 1 – Definitions

Chapter 1 defines the technical terms that are used throughout the Constitution.

7.1.2: Chapter 2 – Name, Registered Office and Objects of the Institute

Chapter 2 names the organisation as the Institute of Public Accountants; and the registered office must be in Australia.

It is important that members are aware that the objectives of the IPA are to represent and advance the interests of its members. These are documented in paragraphs 4.1 – 4.21 and are listed below:

4 *The objects for which the Institute is established are:*

1. *to co-ordinate and co-operate with the accounting and related professions, commerce, industry and the public service to support, promote, protect and maintain a body of qualified accountants;*
2. *to consider questions affecting the interests of and to protect and advance the status of members of the Institute;*
3. *to prescribe and adopt standards and classification of attainments and qualifications of members and for such purposes to conduct examinations, assess those standards and classifications with recognition of prior learning and workplace assessment and conduct other tests in the theory and practice of general accounting subjects and to prescribe and receive fees for such examinations and tests and to confer qualifications to designate the standard and status of members;*

4. *to provide, maintain, extend and improve a library or libraries containing technical literature and such other literature as may be of interest to members and to acquire preserve and disseminate information and statistics concerning or relating to the principles and practice of accounting subjects and other matters of interest to members;*
5. *to encourage the study of accounting subjects and for the purpose to donate and to encourage the donation on such terms and conditions as may from time to time be determined or prescribed of a prize or prizes or other rewards or distinctions;*
6. *to promote the professional development of members by appropriate means;*
7. *to provide rooms and other facilities for the holding and conducting of discussions and meetings of members and others and to let or hire such rooms to other associations companies and persons;*
8. *to carry on business as proprietors and publishers of newspapers, journals, magazines, books, digital media and other literary works and undertakings of interest or advantage to members and students;*
9. *to find or to assist in finding employment and to act as an employment agency or bureau for members to collect and give information as to the employment of members and to charge fees for so doing or to act gratuitously in such matters;*
10. *to accept grants of money and of land, donations, gifts, subscriptions and other assistance in furtherance of the objects of the Institute and to conform to any proper conditions upon which such grants and other payments may be made;*
11. *to communicate, affiliate or enter into other relations whether formal or informal with other Institutes, societies and associations having similar objects and purposes and to subscribe to become a member of and co-operate with any such bodies and to procure from and communicate to any such bodies such information as may be likely to forward the objects of the Institute;*
12. *to affiliate, amalgamate or enter into partnership or into any arrangement for union of interests, co-operation, joint venture, reciprocal concession or otherwise with any body whether corporate or unincorporated having objects of a like nature to those of the Institute and whose Constitution prohibits the division of its income and property amongst its members at least to the same extent as is provided in this Constitution in relation to the Institute;*
13. *to undertake and execute any trusts which may be conducive to any of the objects of the Institute;*
14. *to purchase, take on lease or in exchange, hire or otherwise acquire any real or personal property rights or privileges necessary or convenient for the purposes of the Institute and to construct maintain and alter any buildings necessary or convenient for the purposes of the Institute;*
15. *to sell, improve, manage, develop, exchange, lease, dispose of, turn to account or otherwise deal with all or any part of the property and rights of the Institute;*
16. *to borrow or raise any money that may be required by the Institute upon such terms and security as may be deemed advisable;*

17. *for the purpose of carrying out the objects of the Institute, to draw, make, accept, endorse, execute and issue promissory notes, bills of exchange and other negotiable or transferable instruments;*
18. *to invest the moneys of the Institute not immediately required for its purposes in or upon such investments, securities or property as may be thought fit, subject nevertheless to such condition (if any) as may for the time being be imposed or required by law and subject also as hereinafter provided;*
19. *to establish and support or aid in the establishment and support of associations and institutions, funds and trusts calculated to benefit employees or ex-employees of the Institute or the dependants or connections of such persons and to grant pensions and allowances to and to make payment towards insurance of such persons;*
20. *to produce the Institute to be registered or recognised; and*
21. *to do all such other lawful things as may be incidental to or conducive to the attainment of the above objects.*

Also note paragraph 5 states that all income and property shall be applied solely the objectives listed in paragraphs 4.1 – 4.21. See below.

5 *The income and property of the Institute whensoever derived shall be applied solely towards the promotion of the objects of the Institute as set forth in this Constitution, and no portion thereof shall be paid or transferred directly or indirectly by way of dividend, bonus, or otherwise howsoever by way of profit to the persons who at any time are or have been members of the Institute, or to any of them, or to any person claiming through any of them. Provided that nothing herein contained shall prevent the payment in good faith of remuneration to any officers or servants of the Institute or to any member thereof in return for any services actually rendered to the Institute.*

Paragraphs 6 – 9 address how the Institute's liabilities are managed in the unlikely event that the IPA is wound up.

7.1.3: Chapter 3 – Members

Chapter 3 states that the IPA Board has the power to determine the classes of membership and the current membership designations as Associate, Member and Fellow. It also states the general processes around membership admission, advancement, re-admission and resignation.

Please note that chapter 3 of the IPA By-Laws and Membership Policies BMC 2001 – BMC 2109 provide more detail in relation to the policies and procedures around membership admission, advancement, re-admission and resignation and these should be used in conjunction with the IPA Constitution.

7.1.4: Chapter 4 – General Meetings of the Institute

Chapter 4 discusses processes around the IPA Annual General Meeting (AGM), the timing of the AGM, the business conducted at the meeting, how members are notified of the AGM, the place of the AGM, voting at the meeting, proxies and postal votes.

Please note that Entity members are not permitted to vote at the AGM.

7.1.5: Chapter 5 – Board of Directors

Chapter 5 stipulates the powers of the Board of Directors has in relation to managing the business. These include: making or repealing By-Laws and regulations; amending the member entry requirements; awarding scholarships; appointing officers to assist in managing the business; acquiring or disposing of premises; communicating with other professional bodies; conducting legal proceedings; borrowing money; establishing committees and Divisional Advisory Committees (DAC); and other functions.

The processes around the appointment of the Board of Directors and directors vacating their Directorship are detailed in this chapter.

7.1.6: Chapter 6 – Register of Members

Chapter 6 states that the IPA must keep a register of members and members must notify the IPA of a change of address within 1 month of relocating.

7.1.7: Chapter 7 – Investigation and Disciplinary Procedures

Chapter 7 states the process around member investigation, discipline and penalties. This chapter works in conjunction with Pronouncement 12 Administration of Member Compliance.

The IPA has the power to suspend an IPA member or forfeit a member's membership if the member has been found in breach of the IPA By-Laws or Constitution.

7.1.8: Chapter 8 – Divisional Advisory Committees

Chapter 8 states the location and duties of the DAC and the frequency of DAC meetings.

7.1.9: Chapter 9 – Ancillary Clauses

Chapter 9 lists the power of the Board of Directors to oversee the requirements around issuing and maintaining a Professional Practice Certificate (PPC) and this chapter should be read in conjunction with Chapter 9 of the IPA By-Laws, which are discussed below.

Chapter 9 also lists requirements around managing the finances of the IPA and the audit requirements. These are documented in paragraphs 4.1 – 4.21 and are listed below.

7.2: Introduction – The IPA By-Laws

The IPA By-Laws is a formal document which complements the IPA Constitution by detailing the rules and requirements of both the IPA as an organisation as well as all IPA members to ensure compliance with the IPA Constitution. The By-Laws also detail the rules and requirements for the Institute of Financial Accountants in Chapter 10. The Institute of Financial Accountants merged with the IPA in 2016.

The IPA By-Laws can be found at:

<https://www.publicaccountants.org.au/media/1517245/MASTER-By-Laws-V-25-rebrand.pdf>

The IPA By-Laws are revised from time to time and the most recent is version 2.5, dated 16 February 2018. The By-Laws have 10 chapters:

- Chapter 1 – Definitions
- Chapter 2 – Name, registered office and objects of the Institute. Professional conduct and professional competence
- Chapter 3 – Members
- Chapter 4 – General meetings of the Institute
- Chapter 5 – Board of Directors
- Chapter 6 – Register of members
- Chapter 7 – Investigation and disciplinary procedures. Appeals Tribunal Procedures
- Chapter 8 – Divisions
- Chapter 9 – Ancillary clauses (Professional Practice Certificates)
- Chapter 10 – Institute of Financial Accountants (IFA) Bye Laws [UK spelling]

7.2.1: Chapter 1 – Definitions

Chapter 1 is left blank as definitions are all covered off in Chapter 1 of the Constitution.

7.2.2: Chapter 2 – Name, Registered Office and Objects of the Institute

Chapter 2 states that the Board of Directors promulgates these By-Laws and members are governed by their conduct, namely – integrity, objectivity, independence, confidentiality, technical standards and ethical behaviour. This parallels APES 110 which is discussed in module-2.

Chapter 2 also states that IPA members must abide by the 4 IPA Pronouncements.

7.2.3: Chapter 3 – Members

Chapter 3 provides detail around the classes of membership and the current membership designations as Associate, Member and Fellow. It also details the processes around membership admission, advancement, re-admission and resignation.

7.2.4: Chapter 4 – General meetings of the Institute

Chapter 4 states that the CEO is the returning officer for the IPA.

7.2.5: Chapter 5 – Board of Directors

Chapter 5 discusses the processes around forming IPA branches and the election processes. The structure of the various IPA committees is also discussed.

7.2.6; Chapter 6 – Register of Members

Chapter 6 states that the Board of Directors empowers the CEO to maintain the Register of Members.

7.2.7: Chapter 7 – Investigations and Disciplinary Procedures

Chapter 7 details the process around member investigation, discipline and penalties as well as the role of the Disciplinary and Appeals Tribunal. As with Chapter 7 of the Constitution, this chapter works in conjunction with Pronouncement 12 Administration of Member Compliance.

There are formal procedures in place to hear complaints about members and determine the necessary sanctions. The IPA has the power to suspend an IPA member or forfeit a member's membership.

7.2.8: Chapter 8 – Divisions

Chapter 8 specifies the Divisions and the DAC locations and the responsibilities of the DAC. It discusses the voting process around electing a Divisional President and Divisional Deputy President and the pathway to becoming an IPA Board member.

7.2.9: Chapter 9 – Ancillary Clauses (Professional Practice)

Chapter 9 details the requirements around the need to hold a PPC, turnover threshold and professional indemnity (PI) insurance requirements.

Please note that all PPC holders are to hold PI insurance with a minimum of \$1m cover per reinstatement and be cost exclusive of defence costs. Members that turn over less than the tax free threshold, \$18,200pa, are not required to hold a PPC, but are not permitted to advertise their services to the public.

It is important that members in professional practice are aware of all the requirements for holding a PPC as these members are the face of the IPA as they deal with the general public. These By-Laws are documented in paragraphs 9.1 – 9.31 and are listed below:

9.1 **Professional Practice**

9.1.1 *Pursuant to Clauses 127 to 129 of the Constitution, the Board of Directors prescribe the following obligations on Members providing professional practice services:*

- (a) *the Professional Practice Certificate shall be in a form approved by the Institute, and its issue shall be recorded in a register kept for that purpose.*

Members who must hold a Professional Practice Certificate

9.1.2 *Members who must hold a Professional Practice Certificate are those:*

- A. *Who provide accounting and related services to the public such as financial reporting; bookkeeping; insurance; auditing and including those Members signing off as an auditor of a self-managed superannuation fund (SMSF); taxation; corporate reconstruction/ advisory; bankruptcy; financial planning/ investment advice; superannuation; business/ management consulting; company secretarial/ Board; advice/ Counsel Associated with the sale, listing or purchase of a business or securities; and all similar activities; or otherwise as deemed by the IPA; or*

- B. Whose firm is advertised or promoted as “Institute of Public Accountants” and/ or as a part of that promotion uses any other branding or intellectual property of the IPA and irrespective of the business activity of that firm; or*
- C. Where the Member is a partner or principal of the firm and irrespective of their functional responsibilities; or*
- D. Where the Member provides services on contract to an accounting firm and the Member is not covered by that firm’s professional indemnity insurance; or*
- E. Holds any beneficial equity in the practice; or*
- F. Where the IPA otherwise deems the service to be that which the member must have a Professional Practice Certificate;*

and

Whose annual gross income from the provision of services to the public exceeds the amount which is equivalent to the currently provided tax free threshold.

- 9.1.3 Where a firm uses IPA branding and/ or intellectual property to promote the services of that firm, then the principal of that firm must be an IPA Member and hold a Professional Practice Certificate.*
- 9.1.4 Members whose gross annual income from the provision of services to the public as stated in By-Law 9.1.2, is below the amount which is equivalent to the currently provided tax free threshold are not required to hold a Professional Practice Certificate.*
- 9.1.5 Members that do not hold a Professional Practice Certificate are not permitted to advertise their professional services to the public or use IPA branding to market their professional services to the public.*

Members who may hold a Professional Practice Certificate

- 9.1.6 Members whose gross annual income from the provision of services to the public as stated in By-Law 9.1.2, is below the amount which is equivalent to the currently provided tax free threshold are permitted to hold a Professional Practice Certificate if they so choose to do so and must comply with the requirements to hold a Professional Practice Certificate.*

Application for a Professional Practice Certificate

- 9.1.7 All Members who apply to hold a Professional Practice Certificate are required to comply with all requirements for the issue of a Professional Practice Certificate.*

Issuing of Professional Practice Certificates

- 9.1.8 Professional Practice Certificates will be issued in the name of a Member and in the name of the Member’s Entity only if the Member holds a Professional Practice Certificate.*

Requirements for holders of Professional Practice Certificates

- 9.1.9 A Member who holds a Professional Practice Certificate must:*

- (a) *pay the annual Certificate fee (if any) determined by the Board of Directors;*
- (b) *participate in professional practice survey(s) and / or Declarations as requested by the Institute;*
- (c) *comply with all other requirements of the Constitution, By-Laws and Pronouncements and comply with the requirements of the Institute's Professional Practice Manual; [the Professional Practice Manual is being replaced by the PPP modules]*
- (d) *successfully complete the Institute's Professional Practice Program within 6 months of obtaining a Professional Practice Certificate; and*
- (e) *hold professional indemnity insurance as per By-Law 9.1.11.*

9.1.10 *A Member who holds a Professional Practice Certificate must also:*

- (a) *if the Member is a sole practitioner, ensure that they are covered under a contract and/ or scheme of professional indemnity insurance which complies with By-Law 9.1.11 and which provides run-off cover for claims against the Member after ceasing to offer professional practice services or ceased to hold a professional practice Certificate;*
- (b) *if the Member is a partner of an accounting firm, ensure that the Member and the firm and all other partners of the firm (whether or not they are Members of the Institute) are covered under a contract and/ or scheme of professional indemnity insurance that complies with By-Law 9.1.11; and*
- (c) *if the Member is a Director of an accounting company, ensure that the Member and the company and all other Directors and Executive Officers of the company (whether or not they are Members of the Institute) are insured under a contract and/ or scheme of professional indemnity insurance that complies with By-Law 9.1.11.*

Professional indemnity insurance

9.1.11 *Professional indemnity insurance cover must provide:*

- (a) *cover an amount as specified by the Board of Directors for each and every claim;*
- (b) *for a policy excess or deductible of no more than an amount determined by the Board of Directors from time to time;*
- (c) *unlimited retroactive cover;*
- (d) *cover for libel and slander;*
- (e) *that claims arising out of the dishonesty of an employee are not excluded;*
- (f) *cover for the cost of replacing or repairing documents lost, damaged or destroyed;*
- (g) *cover for any civil legal liability or any act, error or omission, subject to reasonably common exceptions; and*

- (h) *provides run-off cover for claims against the Member after ceasing to offer professional practice services or ceased to hold a Professional Practice Certificate for a period of at least seven years.*

Members not complying with this By-Law

- 9.1.12 *If a Member does not hold a Professional Practice Certificate but whose income from the provision of professional practice services exceeds the current tax free threshold in any one year then the Member shall apply for and comply with all the requirements for the issue of a Professional Practice Certificate. Such a Member shall have a period of six months from the time at which their income exceeds the current tax free threshold to comply with the requirements for the issue of a Professional Practice Certificate.*
- 9.1.13 *If such a Member mentioned in By-Law 9.1.6 believes that income in the following year from the provision of services to the public will not exceed the tax free threshold, the Member may apply in writing to the Institute for exemption from the requirement to hold a Professional Practice Certificate.*
- 9.1.14 *Failure to comply with any part of By-Law 9.1 Professional Practice, may render a Member liable to disciplinary action under Clause 98 of the Constitution.*

9.2 Fees and subscriptions

- 9.2.1 *In accordance with directives given from time to time by the Board of Directors, the Institute may, for reasons it considers adequate, excuse any Member for such period as it may think fit from payment of subscription and fees in whole or in part.*

9.3 Constitution, By-Laws, Pronouncements

- 9.3.1 *Members should have access to an up-to-date copy of the IPA's Constitution, By-Laws and Pronouncements in any format.*

7.2.10: Chapter 10 – IFA Bye Laws (United Kingdom)

These are the Institute of Financial Accountants (IFA) Bye Laws (UK spelling) which amalgamated with the IPA in 2015. These Bye Laws are applicable to UK members only.

7.3: IPA Pronouncements

7.3.1: Authority to Issue a Pronouncement

Clause 53.2(a) of the IPA Constitution permits the Directors of the IPA to make, vary, amend, enlarge, revoke and repeal Pronouncements:

- 53.2 *Without prejudice to the general powers conferred by clause 52 and the other powers conferred by this Constitution, it is hereby expressly declared that the Board of Directors shall have the following powers on behalf of the Institute:*
- (a) *it may from time to time make, vary, amend, enlarge, revoke and repeal By-Laws, Regulations and Pronouncements ancillary to but not inconsistent with this Constitution on all subjects not expressly reserved for the Institute in General Meeting whether the same be expressed*

amongst its powers or not, including the control of Committees and the responsibilities exercisable by them;

7.3.2: Requirement to Comply with a Pronouncement

Clause 2.1.3(e) of the IPA By-Laws states that members must abide by any Pronouncements the Board of Directors promulgate:

2.1.3 *Members shall abide by:*

(e) *any other Pronouncements the Board of Directors may promulgate.*

7.3.3: IPA Pronouncements

The IPA Board of Directors have promulgated 4 Pronouncements:

- Pronouncement 4,
- Pronouncement 7,
- Pronouncement 11, and
- Pronouncement 12.

7.3.3.1: Pronouncement 4 – Quality Assurance Reviews

<https://www.publicaccountants.org.au/media/1034840/NEW-Pronouncement-4-Quality-Assurance-Reviews-V5.pdf>

Pronouncement 4 was promulgated in June 2015 and is a 2 page document that provides a summary of the Professional Practice Quality Assurance review (PPQA) process. It also reminds members of their obligations to comply with the review process, including responding to reviewer requests in a timely manner.

The PPQA process is covered in detail in section 6.4.

7.3.3.2: Pronouncement 7 – Continuing Professional Development

<https://www.publicaccountants.org.au/media/1034837/Pronouncement-7-Cont-Prof-Dev-Sep-16-.pdf>

Pronouncement 7 was promulgated in September 2016 and is a 3 page document detailing member compliance requirements around meeting the IPA's Continuing Professional Development (CPD) program.

IPA members are at the forefront of the business and accounting community and are considered to be a client's trusted advisor. Members must maintain the right skills and develop new skills to ensure they are able to perform their role to the highest professional and ethical standards, whilst exercising integrity, objectivity and due care. Therefore, the IPA Board demands members complete ongoing training and education.

The IPA CPD requirements are grouped into a 2 year period termed a 'biennium'. Members are required to complete 80 hours of CPD over each 2 year period. Members can carry over a maximum of 20 hours into the next biennium and a minimum of 10 hours CPD is to be done in any single calendar year.

Members who join the Institute during the year will be subject to the same biennium periods as

existing members, however new members can meet the requirements of this Pronouncement on a pro-rata basis until the next biennium commences.

Members who join the Institute between 1 January and 30 June will be required to complete a minimum of 20 hours CPD if the end of the biennium period is 31 December of that year, or a minimum of 60 hours CPD if the end of the biennium period is 31 December in the following year.

Members who join the Institute between 1 July and 31 December will not be required to complete any CPD hours if the closing of the biennium period is 31 December in the same year as the Member was admitted, or a minimum of 40 hours CPD if the closing of the biennium period is 31 December in the following year.

Examples of CPD activities that meet the requirements of this Pronouncement are:

- Conferences, congresses and seminars;
- Workshops, discussion groups and webinars;
- Studies undertaken with an IPA recognised educational provider;
- Research, writing or presentation of technical material;
- Serving on a technical committee (maximum of 10 hours per biennium);
- A mentor for the IPA Mentor Experience Program (maximum of 40 hours per biennium); and
- Participation in a PPQA review (maximum of 10 hours per biennium).

Members should be able to satisfy the requirements of Pronouncement 7 as well as the CPD requirements of the regulators such as ASIC and TPB simultaneously.

Members are required to keep a record of their CPD activity and maintain this record for a minimum of 5 calendar years after the end of each biennium. Members can maintain their own records for CPD substantiation. The Institute also offers members a web based CPD recording facility on its website.

All members are subject to both a CPD audit and to a PPQA review. Both the CPD audit and PPQA review require members to demonstrate compliance with Pronouncement 7. Members who hold a PPC are subject to more regular and rigorous PPQA reviews, given their service to the public.

7.3.3.3: Pronouncement 11 – Financial Planning Services

<https://www.publicaccountants.org.au/media/1034831/NEW-Pronouncement-11.pdf>

Pronouncement 11 was promulgated in July 2014 and is a 6 page document detailing the member compliance requirements under the Future of Financial Advice (FoFA) reforms. The IPA Board decided to adopt the IPA's own Pronouncement 11 Financial Planning Services in place of the alternative APES 230 Financial Planning Services issued by the Accounting Professional and Ethical Standards Board.

The IPA Board believes Pronouncement 11 addresses the public interest including compliance with the law, compliance with IPA professional standards, compliance with the APES 110 Code of Ethics, compliance with mandatory CPD, compliance with a best practice quality assurance review process and the IPA complaints, investigation and disciplinary system.

The provision of financial advice to clients by members is an increasingly important service. It is imperative that the member acts with the highest level of integrity and in accordance with all applicable laws. While the Pronouncement does not override the legal requirements, it is intended to raise standards above the minimum requirements of the law.

Pronouncement 11 details the fundamental responsibilities for members under APES 110 *Code of Ethics for Professional Accountants*, the engagement documentation required under APES 305

Terms of Engagement, the steps necessary to ensure the best interest of the client is maintained, how to document the financial advice given, how to manage client monies under APES 310 *Dealing with Client Monies*, how to keep client information confidential, and provides guidance around the charging of professional fees, managing client documentation and quality control over the client documentation.

7.3.3.4: Pronouncement 12 – Administration of Member Compliance

<https://www.publicaccountants.org.au/media/1034834/NEW-Pronouncement-12-Admin-of-Mem-Compl-Sep-16-.pdf>

Pronouncement 12 was promulgated in September 2016 and is a 7 page document written to enhance the efficiency of the Board of Directors and/or a Disciplinary Tribunal by allowing the IPA to administratively manage member compliance rather than referring matter(s) back to the Board of Directors and/or a Disciplinary Tribunal for consideration.

This ensures the Board of Directors and/or a Disciplinary Tribunal resources are channelled into more complex matters that cannot be dealt with administratively.

Pronouncement 12 assists the IPA in managing member compliance in relation to:

- completing a PPQA review;
- the requirement for IPA PPC holders to complete the Professional Practice Program within 6 months of obtaining a PPC;
- the requirement for an IPA member to hold a PPC;
- the requirement for PPC holders to have a compliant PI insurance policy in place;
- the requirement for IPA members to comply with the CPD requirements under Pronouncement 7; and
- the requirement for an IPA member to comply with a request made under clause 98(3) of the Constitution or comply with a request of the Disciplinary Tribunal or the Appeals Tribunal.

Pronouncement 12 also permits an IPA member to escalate an issue to the Appeals Tribunal.

7.4: IPA Professional Practice Quality Assurance (PPQA) Review

7.4.1: The International Federation of Accountants and Quality Assurance Reviews

The IPA is a member of the International Federation of Accountants (IFAC). IFAC requires all member bodies such as the IPA, to administer a quality assurance review program on the professional services performed by their members. The IFAC Constitution paragraph 2.3(b) states all IFAC member bodies are required to comply with the IFAC Statement of Member Obligations (SMO). There are 7 IFAC SMOs.

SMO1 paragraph 2 states “this SMO is issued by the IFAC Board and sets out requirements of an IFAC member body with respect to quality assurance review systems for firms performing certain audit, review, other assurance and related services engagements”.

SMO1 paragraph 34 states “jurisdictions that select a cycle approach shall:

- (a) adopt a cycle of a maximum of 3 years when the firm performs audits of financial statements of public interest entities;
- (b) adopt a cycle of a maximum of 6 years when the firm performs audits of financial statements of non-public interest entities; and

(c) take into consideration the quality and effectiveness of the quality control system of a partner's firm then a partner is the subject of the quality assurance review.”

Also note that SMO1 paragraph 36 states that it may be appropriate to review some firms more frequently than nominated above. For example, the quality assurance review cycle may be shortened if the results of the previous quality assurance review were less than satisfactory. Additional reasons for conducting quality assurance reviews more frequently may be identified. For instance, Australian law requires Registered Company Auditors to be reviewed every 3 years.

The IPA has produced Pronouncement 4 – Quality Assurance Reviews to assist members in understanding their compliance obligations when they are subject to a quality assurance review. Pronouncement 4 has been discussed earlier in this module.

7.4.2: IPA PPQA Review Cycle

Paragraphs 127-129 of the IPA Constitution in conjunction with By-Law 9.1.9(d) have mandated that IPA members who hold a PPC comply with the IPA quality assurance requirements for professional practitioners. Under Pronouncement 4, the IPA has determined that IPA members are required to undertake a PPQA review of their practice:

- every 3 years for members who are self-managed superannuation fund (SMSF) auditors or Registered Company Auditors; and
- at least every 5 years for all other members.

In addition to the ongoing PPQA review cycle, members may be selected for additional PPQA reviews under the following circumstances:

- (a) when the IPA Disciplinary Tribunal imposes an additional PPQA review on a member;
- (b) when an IPA Investigator as the result of an investigation and with the agreement of the IPA Investigations Review Officer, recommends a member undertake an additional PPQA review;
- (c) the outcome of a PPQA review results in the member undertaking an additional PPQA review; or
- (d) a member requests a PPQA review.

7.4.3: Member Requirements in an IPA PPQA Review

Member participation in each PPQA review is mandatory. The IPA will contact each member directly when they are required to complete the review. Please be aware that the review is designed to assist IPA members improve their work practices to best practice levels. This will flow through to better consumer confidence as consumers will become aware that IPA members operate to the highest professional and ethical standards.

PPQA reviews are an independent review of the work and ethical practices and procedures of IPA members. The quality assurance procedures set out in module-2 being APES 110 – Code of Ethics for Professional Accountants and part of module-3 being APES 320 – Quality Control for Firms are used as benchmarks for the conduct of the review. Members are also assessed for compliance with the standards of the Australian Accounting Standards Board (AASB) and the Auditing & Assurance Standards Board (AUASB).

The PPQA process requires members to complete an online PPQA questionnaire. The IPA is the first professional accounting body to develop an online tool for the PPQA review, for which the IPA won an

award in 2012 as BRW's 19th Most Innovative Company. This was developed with grants from the Professional Standards Council. The online process is significantly better than the paper questionnaire due to:

- a significant reduction in paperwork for both the member and the IPA;
- a faster data collection method using an online questionnaire;
- a user friendly online interface;
- the ability to interrogate the data to improve IPA processes; and
- the provision of a business diagnostic tool enabling members to track their business performance and implement improvements.

7.4.4: IPA PPQA review structure

The PPQA questionnaire is accessed online and divided into 2 sections, both of which must be completed. Section 1 requests information in relation to the member's practice. Section 2 requests information about the member's role in the practice, the practice's client base, services that the practice provides and assesses member compliance with the relevant standards.

Once a member has completed the online questionnaire, the responses are submitted to the IPA. The information is analysed by an independent reviewer who will determine if the member meets the integrity and compliance standards of the IPA and the external regulators in relation to professional and ethical standards.

The reviewer in conjunction with the IPA will determine if a member site visit is required. If a site visit is required, the member will be notified of the date and time and also of any additional information the member will need to compile before the meeting. As each site visit is different, the type of information required will be different. Specific details can be obtained from the member compliance area of the IPA prior to the site visit. The duration of the site visit will be determined by the amount of additional information required. This too can be discussed with the member compliance team.

General information on the PPQA process can be found on the IPA website and also in Pronouncement 4.

Please be aware that failure to comply with completing the PPQA review may result in disciplinary action being taken against a member and referral to the IPA Disciplinary Tribunal for a penalty including possible forfeiture of membership. The IPA takes the PPQA review process very seriously.

Joint members that have recently completed a quality assurance review with another professional membership body may be eligible for an exemption from the IPA PPQA review.

Members will be eligible for up to 10 hours CPD under Pronouncement 7 at the conclusion of their PPQA review.

7.5: Professional Standards Scheme

7.5.1: What is a Professional?

The word "profession" means different things to different people, but it's meant to be an indicator of trust and expertise.

Traditionally, a *professional* was someone who derived their income from their expertise or specific talents, as opposed to a hobbyist or amateur.

In today's fast-changing environment of knowledge and expertise, it's now generally understood that simply deriving an income from a particular task might make one good at their role, but a professional has a broader meaning. 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 the public good within their expertise. Professionals are accountable to those they serve and to the public.

The IPA is a recognised professional association as per the Corporations Act and the IPA has a Professional Standards Scheme in force throughout all the Australian states and territories. All IPA members that hold an IPA PPC are automatically part of the IPA Professional Standards Scheme.

7.5.2: IPA Professional Standards Scheme

A Professional Standards Scheme (Scheme) is a legal instrument that binds professional associations to monitor, enforce, regulate and improve the professional standards of members. It identifies the IPA and IPA members as recognised professionals who demonstrate a commitment to regulation under the professional standards legislation.

One of the key advantages of operating under a Scheme is that it identifies the IPA and its members as recognised professionals. This is particularly important in a competitive market because it's increasingly difficult for consumers and governments to identify a professional from the growing field of people claiming to be a professional.

The IPA Scheme protects PPC holders from financial loss as the Scheme has a \$1 million cap that limits the amount of damages to \$1 million that a member (or underwriter) has to pay a client in the event a claim is upheld in court against an IPA PPC holder. This is very important in an increasingly litigious environment.

A Scheme is also a marketing tool for IPA PPC holders as it demonstrates IPA members are truly professional as a Scheme is only available to association members that uphold the highest professional and ethical standards. This flows through to better consumer confidence as consumers will be aware an IPA PPC holder is operating to the highest professional and ethical standards.

The Professional Standards Councils (PSC) are independent statutory bodies established in each state and territory with specific responsibilities under professional standards legislation for supervising, assessing and approving Scheme applications.

The Professional Standards Authority is the national regulatory agency with a core purpose to protect Australian consumers by improving professional standards. It is an agency made up of expert legal, regulatory and professional standards personnel with experience across professions, government and the commercial sector. The Professional Standards Authority works with the PSC to take a partnership approach to regulation that enhances Australia's consumer protection regime and promotes the vital role professions play. More Information about the PSC and its regulatory role can be obtained from www.psc.gov.au.

7.5.3: Compliance Requirements

IPA PPC holders have compliance requirements placed on them once they are admitted into the Scheme.

7.5.3.1: Compliance Requirement – Annual Member Declaration

One of the requirements is IPA PPC holders must complete the annual declaration (usually in February each year) reporting to the IPA any PI notifications, claims or settlements over the last 12 months.

This is a mandatory requirement under By-Law 9.1.9(b):

9.1.9 A Member who holds a Professional Practice Certificate must:
(b) participate in professional practice survey(s) as requested by the Institute.

7.5.3.2: Compliance Requirement - Disclosing your Limited Liability

The Professional Standards legislation has mandated that Scheme participants must disclose their limited liability on stationery and business documentation. The disclosure statement must state:

“Liability limited by a scheme approved under Professional Standards Legislation”

This disclosure statement is designed to give consumers clear notice that IPA PPC holders operate under an approved Professional Standards Scheme. It must be printed in a size not less than Times New Roman 8-point font.

The statement must appear on all materials that are or could be given to current or prospective clients used to promote IPA PPC holders or the accounting profession. Examples include, but are not limited to:

- Letterhead and letters signed by the company or on its behalf;
- Fax cover sheets;
- Newsletters and other publications;
- Your website(s);
- Written advice, plans, drawings, specifications and any other client documents not accompanied by a separate document with the disclosure statement; and
- Memorandum of fees and invoices unaccompanied by a separate document with the disclosure statement.

The statement does *not* need to appear on:

- Advertisements in print media, directory listings and similar forms of promotion;
- Business cards; and
- Social media networks, blogs, etc. that are accessed voluntarily by consumers, rather than being given, or caused to be given, by professionals to their clients or prospective clients.

Please be aware that failure to use the prescribed disclosure statement will breach the legislation. If an insurance claim is made, the Scheme could be challenged in court. Members may also be subject to fines.

The rules around this can be found at: <http://www.psc.gov.au/advice-for-scheme-associations/disclosing-your-liability>.

There are some other compliance requirements to ensure IPA PPC holders remain in the Scheme and these are listed in the Scheme *Instrument* below.

7.5.4: IPA Scheme Instrument

The IPA Scheme *Instrument* is a 3 page document that explains to a court how the IPA Scheme works, who is included in the IPA Scheme and who remains eligible to continue to be in the IPA

Scheme. The document can be found at: <http://www.psc.gov.au/professional-standards-schemes/scheme-documents>.

We ask all members to familiarise themselves with the Scheme Instrument as it dictates some of the member compliance requirements for the member to remain in the Scheme. Paying the annual PSC fee does not guarantee an IPA PPC holder remains in the Scheme. A court of law may rule a member is out of the Scheme if the member fails to comply with the ongoing Scheme requirements. Some of the pertinent Scheme clauses are 2.2 which relates to member exemption, clause 2.4 which relates to financial service licensees and clause 3.2 which relates to PI insurance requirements. These clauses are discussed below.

7.5.5: IPA Scheme Instrument – Clause 2.2 ‘Member Exemption’

Clause 2.2 of the IPA Scheme Instrument recognises that there will be some IPA PPC holders that are joint members with Chartered Accountants Australia + New Zealand or CPA Australia. These members will be covered under the respective professional body Scheme. These joint members have the option to be exempted from the IPA Scheme as they are covered by another Scheme.

Members who would like to exercise this option should contact the IPA and provide evidence that they are covered under another professional bodies Scheme.

7.5.6: IPA Scheme Instrument – Clause 2.4 ‘Financial Services Licensees’

Professional indemnity claims around the provision of financial advice are on average more frequent and higher in value than professional indemnity claims around the provision of taxation advice, audit and general consulting. As a result, the PSC will not permit full financial services licence holders to be part of the Scheme.

Some Schemes allow limited financial services licence holders and their Authorised Representatives to be part of the Scheme. The Chartered Accountants Australia + New Zealand permit limited financial services licence holders, their Authorised Representatives and employees to be part of the Scheme, but don’t allow full financial services licence holders.

The (proposed) CPA Australia Scheme includes limited financial services licence holders, but not their Authorised Representatives or employees.

The proposed IPA Scheme that is anticipated to commence during the latter half of 2018 will allow limited financial services licence holders, their Authorised Representatives and employees to be part of the Scheme, but will not allow full financial services licence holders.

The current IPA Scheme, clause 2.4 states the Scheme does not apply to financial services licensees. In other words, financial services licensees are not permitted to be part of the IPA Scheme.

Financial services licensees are IPA members that hold a financial services licence with ASIC (ASIC term this as an “AFS Licence”). For the purposes of clause 2.4, this would include both limited licencees and full licencees. Members do not need to be actively using their AFS licence to be excluded from the Scheme. Holding an AFS Licence will, by definition, exclude the member from the Scheme for all the services they provide – financial advice, taxation, audit, general consulting and so on.

Authorised Representatives of either limited licencees or full licencees are likely to be excluded from the Scheme as they are operating under the direction of a financial services licensee. It is not possible to be absolute with this statement though as a court would make this determination as part of the legal proceedings and this has not yet been tested by the court.

As a result, the IPA recommend members obtain their own legal advice around the implications of clause 2.4.

Members that hold a financial services licence could consider negotiating with clients to incorporate a contractual limitation of liability clause into their client engagement. This could be leveraged off the fact that IPA members that hold a PPC would ordinarily have been included in the IPA Scheme had they not been the holder of a financial services licence. This may be helpful to members offering taxation services, but are still excluded from the IPA Scheme as the member holds a financial services licence.

The IPA has also lodged an application with the PSC for a new Scheme as the current Scheme will expire on 31 December 2018. Included in this application is the provision for a \$2 million Scheme cap for limited financial services licence holders, Authorised Representatives of limited financial services licence holders and employees of both limited financial services licence holders and their Authorised Representatives. Financial advice referral arrangements are also included in the application.

The application does not include a Scheme cap for full financial services licence holders. If the application is approved, this would be consistent with the existing Chartered Accountants Australia + New Zealand Scheme and the proposed CPA Australia Scheme which will replace the Scheme that expired on 7 October 2017. This will provide consistency in the accounting profession as the three Schemes are very similar.

7.5.7: IPA Scheme Instrument – Clause 3.2 ‘PI Insurance Requirements’

Clause 3.2 of the IPA Scheme Instrument places mandatory obligations on IPA PPC holders to ensure they have the benefit of a PI insurance policy that complies with the requirements of the IPA.

Members must hold a PI insurance policy:

- (a) of a kind which complies with the standards determined by the IPA;*
- (b) insuring such a person against that occupational liability; and*
- (c) under which the amount payable in respect of that occupational liability is not less than the monetary ceiling specified in this Scheme.*

We will look at sub-clauses 3.2(a), 3.2(b) and 3.2(c) in turn:

7.5.7.1: Clause 3.2(a) – “of a kind which complies with the standards determined by the IPA”

The standards determined by the IPA in relation to PI insurance are contained in:

- By-Law 9.1.10,
- By-Law 9.1.11, and
- Membership Policy BMC 2051.

By-Law 9.1.10 states “A member who holds a Professional Practice Certificate must also:”

- (a) “if the Member is a sole practitioner, ensure that they are covered under a contract and/ or scheme of professional indemnity insurance which complies with By-Law 9.1.11 and which provides run-off cover for claims against the Member after ceasing to offer professional practice services or ceased to hold a professional practice certificate;”*

In summary, if a member is a sole trader, they must ensure they comply with By-Law 9.1.11 and have a PI insurance policy that provides run-off cover after the member ceases to operate the practice. See below:

- (b) *“if the Member is a partner of an accounting firm, ensure that the Member and the firm and all other partners of the firm (whether or not they are Members of the Institute) are covered under a contract and/ or scheme of professional indemnity insurance that complies with By-Law 9.1.11; and”*

In summary, if a member is partner in an accounting firm, they must ensure they comply with By-Law 9.1.11 and have a PI insurance policy that provides cover for the member, for all the partners in the accounting firm and for the partnership as an entity.

- (c) *“if the Member is a Director of an accounting company, ensure that the Member and the company and all other Directors and Executive Officers of the company (whether or not they are Members of the Institute) are insured under a contract and/ or scheme of professional indemnity insurance that complies with By-Law 9.1.11.”*

In summary, if a member is a director in an accounting company, they must ensure they comply with By-Law 9.1.11 and have a PI insurance policy that provides cover for the member, for all the directors and executive officers in the company and for the company as an entity.

By-Law 9.1.11 states *“Professional indemnity insurance cover must provide:”*

- (a) *“cover an amount as specified by the Board of Directors for each and every claim;”*

The Board of Directors have specified a cover amount of \$1 million for each and every claim or each reinstatement. This is to coincide with the \$1 million Scheme cap. The Board of Directors also ask for the policy to be cost exclusive meaning legal defence costs are paid by the underwriter in addition to the \$1 million policy limit. The Board of Directors have not specified the number of policy reinstatements.

- (b) *“for a policy excess or deductible of no more than an amount determined by the Board of Directors from time to time;”*

The Board of Directors have not specified an excess for member PI policies, but the PSC has specified the excess cannot exceed the Scheme cap of \$1 million. Members are unlikely to have an excess of this magnitude.

- (c) *“unlimited retroactive cover;”*

As part of a members PI policy, members will have unlimited cover on their client work done prior to the PI policy being taken out. So all historical work is covered by a current PI policy. Please note that members must declare any historical PI claims in their PI policy application.

- (d) *“cover for libel and slander;”*

As part of a members PI policy, members will have cover for these events.

- (e) *“that claims arising out of the dishonesty of an employee are not excluded;”*

As part of a member’s PI policy, members will have cover in the event an employee conducts an act of dishonesty that had an adverse effect on the member’s business.

- (f) *“cover for the cost of replacing or repairing documents lost, damaged or destroyed;”*

As part of a member's PI policy, members will have cover for these events.

- (g) *“cover for any civil legal liability or any act, error or omission, subject to reasonably common exceptions; and”*

As part of a members PI policy, members will have cover for these events.

- (h) *“provides run-off cover for claims against the Member after ceasing to offer professional practice services or ceased to hold a Professional Practice Certificate for a period of at least seven years.”*

As part of a members PI policy, members will have run-off cover for up to 7 years.

Membership policy BMC 2051 “Professional Practice Certificates” stipulates the requirements around member education, member experience and the inclusions in the PI insurance policy schedule a member must have before the IPA issue a PPC to a member.

BMC 2051 paragraph 11 states:

11. *“All holders of a PPC-MPA must provide evidence of current Professional Indemnity (PI) Insurance which meets the terms and conditions prescribed in IPA By-Law 9.1.10 and 9.1.11, and include the provision of cover of an amount of \$1,000,000 for each and every claim in aggregate.”*

As part of a member's PI policy, members will have PI cover for an amount of \$1 million in each and every claim. This coincides with the \$1 million Scheme cap.

BMC 2051 paragraph 12 states:

12. *“Joint members who provide evidence of holding a current practice certificate with CPA Australia or Chartered Accountants Australia + New Zealand and meet the minimum PI requirements of their association will be deemed to satisfy the PI insurance requirements for holding a PPC-MPA.”*

Both CPA Australia and Chartered Accountants Australia + New Zealand have a minimum level of PI cover of \$2 million which coincides with their Scheme caps. Those who wish to become joint members with the IPA will already have in place a PI policy of a minimum of \$2 million cover which will satisfy the minimum \$1 million required by the IPA in paragraph 11 of BMC 2051.

7.5.7.2: Clause 3.2(b) – “insuring such a person against that occupational liability”

To remain in the Scheme, members must ensure the services they offer to clients are actually listed in their PI insurance policy and the policy offers PI cover to the member for the services they provide.

Each PI policy will be specific as to the types of services the cover provides. Members must read the policy and contact their broker/ underwriter if the policy does not cover all the services the member offers to clients.

This is particularly important with the expiry of the ‘Accountants’ Exemption’ on the 30 June 2016. Members must exercise caution not to offer what a client perceives as financial advice as many PI policies will not provide cover for financial advice.

If a member strays into this area and offers financial advice, the member will not be covered by the PI policy and risk their assets being unprotected from litigation. The member also will not be covered by the Scheme cap and is at the risk of uncapped litigation.

7.5.7.3: Clause 3.2(c) – “under which the amount payable in respect of that occupational liability is not less than the monetary ceiling specified in this Scheme”

Members must have a PI insurance policy with the amount payable not less than the monetary ceiling specified in the Scheme, which is \$1 million. The ‘amount payable’ is the maximum claim amount for each reinstatement of the member’s PI policy.

For example, a PI policy may offer \$1 million cover per reinstatement and have 3 reinstatements available to the member. (Please note this is not a \$3 million PI policy, it is a \$1 million PI policy with 3 reinstatements).

IPA membership policy BMC 2051 paragraph 11 states:

11. *“All holders of a PPC-MPA must provide evidence of current Professional Indemnity (PI) Insurance which meets the terms and conditions prescribed in IPA By-Law 9.1.10 and 9.1.11, and include the provision of cover of an amount of \$1,000,000 for each and every claim in aggregate.”*

Members must comply with BMC 2051. All members at the time of application for a PPC will need to demonstrate compliance with paragraph 11 by submitting a Certificate of Currency for their PI insurance policy with their application.

Members with PI cover that is less than \$1 million per reinstatement will be underinsured and risk their assets being unprotected from litigation. Furthermore, the member will not be covered by the Scheme cap and is at the risk of uncapped litigation.

7.5.8: IPA New Scheme Application

As mentioned in 6.5.5 above, the IPA has lodged an application with the PSC for a new Scheme as the existing Scheme expires on 31 December 2018. The existing Scheme became operational on 1 January 2013 and was to expire on 31 December 2017, but the IPA secured a one year extension from the NSW Minister for Innovation and Better Regulation.

The new application takes into account the cessation of the ‘Accountants’ Exemption’ (Regulation 7.1.29A) and requests a \$2 million Scheme cap for limited financial services license holders and Authorised Representatives of limited financial services license holders. Financial advice referral arrangement services have been requested to be included in the Scheme. Unfortunately full financial services license holders are excluded as the PSC will not permit that activity to be protected by the Scheme.

Once approved, the new Scheme will replace the existing Scheme even if it is before the expiry of the existing Scheme on 31 December 2018. All IPA PPC holders will be notified of the new Scheme requirements and the commencement date. It is expected the transition from the old Scheme to the new Scheme will be seamless. Members will be informed of the commencement date of the new Scheme and any compliance obligations required of them.