



Module 7<sub>v4.3</sub>

# **Professional Practice Program Co-regulatory Compliance**



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## 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 six Online webinars. You should complete the self-paced study before attending the webinars. 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 in two parts held at the end of webinar 3 and at the end of webinar 6.

The assessment comprises of two tests of 15 multiple-choice questions and you are permitted 30 minutes to complete each of the assessment tasks. 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 six Online webinars 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	10
	7.2.7 Chapter 7 – Investigation and Disciplinary Procedures	10
	7.2.8 Chapter 8 – Divisions	10
	7.2.9 Chapter 9 – Professional Practice Certificate (PPC)	10
	7.2.10 Chapter 10 – IFA Bye-laws (United Kingdom)	14
	7.2.11 Chapter 11 – AAT By-laws	14
	7.3 IPA Pronouncements	14
	7.3.1 Authority to Issue a Pronouncement	14
	7.3.2 Requirement to Comply with a Pronouncement	14
	7.3.3 IPA Pronouncements	15
	7.3.3.1 Pronouncement 4 – Quality Review Program (QRP)	15
	7.3.3.2 Pronouncement 7 – Continuing Prof Development	15
	7.3.3.3 Pronouncement 12 – Admin of Member Compliance	17
	7.4 IPA Quality Review Program (QRP)	17
	7.4.1 The IFAC and Quality Assurance Reviews	17
	7.4.2 IPA QRP Review Cycle	18
	7.4.3 Member Requirements in the QRP	18
	7.5 Professional Standards Scheme	19
	7.5.1 Professional Standards Councils	19
	7.5.2 What is a Professional?	20
	7.5.3 IPA Professional Standards Scheme	20
	7.5.4 Compliance Requirements	21
	7.5.4.1 Compliance Req. – Annual Member Declaration	21
	7.5.4.2 Compliance Req. – Disclosing your Limited Liability	21
	7.5.5 IPA Scheme Instrument	22
	7.5.5.1 Scheme Instrument – Persons who the Scheme appl	23
	7.5.5.2 Scheme Instrument – Exemption	23
	7.5.5.3 Scheme Instrument – Limitation of liability	23
	7.5.5.4 Scheme Instrument – Discretionary caps	24
	7.5.6 Professional Indemnity (PI) Insurance Requirements	24

## 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](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 anybody 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 are a regulatory document which upholds the IPA Constitution by providing the set of rules and requirements for 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 (UK) in Chapter 10 and former Association of Accounting Technicians in Australia (AAT) members in Chapter 11, who are both members of the IPA Group.

The IPA By-Laws can be found at:

<https://www.publicaccountants.org.au/media/3428014/IPA-By-Laws-V-212-2-September-2021.pdf>



The IPA By-Laws are revised from time to time and the most recent is version 2.12 dated 2 September 2021. The By-laws comprise of 11 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 & Appeals Tribunal - procedures
- Chapter 8 – Divisions
- Chapter 9 – Ancillary Clauses - Professional Practice Certificate (PPC)
- Chapter 10 – IFA Bye-laws (UK)
- Chapter 11 – AAT By-laws

### **7.2.1: Chapter 1 – Definitions**

Chapter 1 adopts the definitions used in the IPA Constitution for consistency.

### **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 the standard APES 110 Code of Ethics for Professional Accountants which is discussed in module-2 of this program.

Chapter 2 also mandates that IPA members must abide by 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 Certificate (PPC)

Chapter 9 provides detail around the member requirements to hold an IPA Professional Practice Certificate (PPC) including turnover thresholds, professional indemnity (PI) insurance requirements, advertising and websites.

All PPC holders must hold PI insurance with a minimum of \$2 million cover per reinstatement for PPC holders that generate annual fee income (excluding goods and services tax) of less than \$10 million in the previous financial or a minimum of \$10 million cover per reinstatement for PPC holders that generate annual fee income (excluding goods and services tax) of \$10 million or more in the previous financial year.

Members with a turnover less than the tax-free threshold (\$18,200pa) are not required to hold an IPA PPC providing they don't advertise their services to the public and they don't have a website. These members should hold PI insurance as they can be exposed to litigation as are PPC holders.

It is important that all 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 public. All of chapter 9 By-Laws have been included below as PPP course participants must be aware of the PPC requirements.

### 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, self-managed superannuation fund (SMSF) auditing; 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;
- (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 (PI) insurance**

9.1.11 Members may be excluded from the Professional Standards Scheme if they don't hold Professional Indemnity insurance in accordance with this By-law. Professional indemnity insurance must provide:

- (a) cover for the amount(s) specified by the Board of Directors for each and every claim, currently until 31 December 2021, not being less than \$2 million for each reinstatement (any one claim);
- (b) cover for the amount(s) specified by the Board of Directors for each and every claim, commencing on 1 January 2022:
  - not being less than \$2 million for each reinstatement for Members that generated annual fee income (excluding goods and services tax) of less than \$10 million in the financial year immediately preceding any act or omission that has given rise to an occupational liability (damages claim); or

- not being less than \$10 million for each reinstatement for Members that generated annual fee income (excluding goods and services tax) of \$10 million or more in the financial year immediately preceding any act or omission that has given rise to an occupational liability (damages claim); or
  - not being less than the monetary ceiling (Scheme cap) specified by the Board of Directors who under section 26 of the *Professional Standards Act 2003* (Vic), have the discretionary authority to specify, on application by a Member, a higher monetary ceiling for that Member, not exceeding \$75 million;
- (c) *a policy excess (deductible) of no more than an amount determined by the Board of Directors from time to time, currently being no more than 2 per cent of the policy limit of indemnity, or \$200,000, whichever is the lower amount;*
- (d) *cover obtained from an Australian Prudential Regulation Authority (APRA) regulated insurer, which can be verified at: <https://www.apra.gov.au/register-general-insurance>;*
- (e) *a minimum of one reinstatement and preferably unlimited reinstatements;*
- (f) *a defence cost exclusive policy, however if the policy is defence cost inclusive, the policy sets an additional 25 per cent above the policy limit of indemnity amount to fund defence costs;*
- (g) *unlimited retroactive cover;*
- (h) *cover for defamation;*
- (i) *cover for claims arising out of the dishonesty of an employee;*
- (j) *cover for the cost of replacing or repairing documents lost, damaged or destroyed;*
- (k) *cover for any civil legal liability or any act, error or omission, subject to reasonably common exceptions; and*
- (l) *run-off cover for claims against the Member after cessation of business or ceased to hold a Professional Practice Certificate for a period of at least seven years, however if the policy does not include run-off cover, the Member must arrange and maintain run-off cover for a period of seven years following cessation of the business.*

#### **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)

Applicable to the Institute of Financial Accountants (IFA) Bye-laws (UK spelling) who joined the IPA Group in 2015. These Bye Laws are applicable to UK members only.

### 7.2.11: Chapter 11 – AAT By-laws

These By-laws are for the members of the Association of Accounting Technicians in Australia (AAT) who joined the IPA on 1 July 2020. These members have designated membership categories.

## 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 3 Pronouncements:

- Pronouncement 4 Quality Review Program (QRP),
- Pronouncement 7 Continuing Professional Development (CPD), and
- Pronouncement 12 Administration of Member Compliance.

#### 7.3.3.1: Pronouncement 4 – Quality Review Program (QRP)

<https://www.publicaccountants.org.au/media/3067922/Pronouncement-4-V20-QRP-Nov-20-.pdf>

Pronouncement 4 was promulgated on the 25 November 2020 and is a 5 page document that provides members with a summary of what is expected of them as part of the IPA Quality Review Program (QRP). Members should be reviewed every 3 to 6 years.

The QRP is covered in detail in section 7.4.

#### 7.3.3.2: Pronouncement 7 – Continuing Professional Development (CPD)

<https://www.publicaccountants.org.au/media/3306024/Pronouncement-7-V40-CPD-11-May-2021-Updated.pdf>

Pronouncement 7 was updated on the 11 May 2021. It is a 7 page document that details the member compliance requirements in relation to the completion of Continuing Professional Development (CPD). Member compliance with Pronouncement 7 is mandatory.

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 in their role to the highest professional and ethical standards, whilst exercising integrity, objectivity and due care.

For an IPA member to maintain their legal status as a *Qualified Accountant* under the Corporations Act 2001, members must comply with the IPA's Pronouncement 7.

Section 88B paragraph (2) of the *Corporations Act 2001* empowers ASIC to declare that all members of a specified professional body, or all persons in a specified class of members of a specified professional body, are qualified accountants for the purposes of the Act. On the 28 September 2016 ASIC made the legislative instrument titled the 'ASIC Corporations (Qualified Accountant) Instrument 2016 / 786' to define who is a Qualified Accountant.

Clause 5 of the ASIC Corporations (Qualified Accountant) Instrument 2016 / 786 states:

5. All persons in the following classes of members of the following professional bodies are Qualified Accountants for the purposes of the Act:

(a) any member of the Institute of Public Accountants who:

- (i) is entitled to use the post-nominals "AIPA", "MIPA", or "FIPA"; and
- (ii) is subject to the IPA's continuing professional education requirements; and
- (iii) at or about the time of the member's most recent renewal of membership, has confirmed in writing to the IPA that he or she complies with the IPA's continuing professional education requirements.



Paragraph (ii) stipulates that the IPA member must maintain their compliance with Pronouncement 7 to be defined as a Qualified Accountant. Not complying with Pronouncement 7 will limit many of the services a member can offer including not being able to certify documents.

The CPD requirements under Pronouncement 7 have undergone a major revision and from the 1 July 2021, all members are required to spread their 120 CPD over three new competency areas, being:

- **Technical and Product Knowledge**  
Technical knowledge of core accounting areas;
- **Management and Professional Skills**  
Develop and manage the productivity, behaviour and operations of accountants in their environment; and
- **Professional and Ethical Standards**  
Understand and apply the professional and ethical standards in the public interest to promote the professionalism and value of the accounting profession.

Members are required to complete a minimum of 20 hours CPD for each competency area which equates to 60 hours over each three-year CPD period. The remaining 60 hours can be selected by members as has been done in the past.

The reason for the change is the International Accounting Education Standards Board (under the auspices of the International Federation of Accountants) issuing the Handbook of International Education Pronouncements, IES 7 Continuing Professional Development (2020) recommend adopting CPD competency areas. The Financial Adviser Standards and Ethics Authority (FASEA) have also embraced similar requirements.

This promotes a more holistic CPD program which includes technical competence, professional skills, professional values, ethics and attitudes. These are considered essential in the public interest and for consumer protection. There is also an emphasis on outcomes-based learning with the appropriate levels of assessment. This holistic approach follows the legal, financial advice and other professions, which have established categories of CPD to ensure a balanced approach to life-long learning

As with the old Pronouncement 7, new members will be subject to the same CPD three-year period as existing members, however new members will be permitted to meet the requirements of this Pronouncement on a pro-rata basis until a new three-year period commences

CPD activities are classified as verified and unverified.

Verified activities have an on outline of the content to be covered, designated learning outcomes, a timeframe allocated to complete the activity and documentary evidence is available to prove the event has taken place.

Unverified activities are informal learning tasks that are initiated through reading or self-study that does not have a defined learning outcome or timeframe for the activity to be completed.

Members will no longer be able to carry forward excess CPD hours from the 1 July 2021 to 30 June 2024 CPD period into the 1 July 2024 to 30 June 2027 CPD period, but they will be able to carry forward a maximum of 30 hours CPD from the 1 July 2018 to 30 June 2021 CPD period into the 1 July 2021 to 30 June 2024 CPD period.

Exemptions from the requirements of Pronouncement 7, including a reduction in CPD hours, will be considered upon a written application from the Member, which should contain documentary evidence of the basis for the application. Reasons for an exemption or reduction in hours may include serious illness parental leave carers leave career change or extended holiday.



Members are required to keep a record of their CPD activities and maintain these records for a minimum of five years after the end of each three-year period. The Institute also offers members a web based CPD recording facility on its website.

All members are subject to a CPD audit as part of the Quality Review Program. Members will be required to demonstrate compliance with Pronouncement 7.

### **7.3.3.3: Pronouncement 12 – Administration of Member Compliance**

<https://www.publicaccountants.org.au/media/3202955/Pronouncement-12-v15-Admin-of-Mem-Compl-Feb-21-.pdf>

Pronouncement 12 was promulgated on the 11 February 2021 and is a 7 page document that enhances 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 QRP;
- 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.

If a Member is in dispute with the IPA over an identified non-compliance, the Member has the right to escalate the matter to the IPA Board Membership Committee on behalf of the Board of Directors for a determination.

## **7.4: IPA Quality Review Program (QRP)**

### **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 Review Program to assist members in understanding their compliance obligations when they are subject to a quality review. Pronouncement 4 has been discussed earlier in this module.

#### **7.4.2: IPA Quality Review Program (QRP) 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 QRP of their practice:

- every 3 years for members who are self-managed superannuation fund (SMSF) auditors or Registered Company Auditors; and
- at least every 6 years for all other members.

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

- (a) when the IPA Disciplinary Tribunal imposes an additional QRP 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 QRP;
- (c) the outcome of a QRP results in the member undertaking an additional QRP review; or
- (d) a member has requested a QRP review.

#### **7.4.3: Member Requirements in a QRP**

Member participation in a QRP review is mandatory. The IPA will contact each member directly when they are required to complete the review. 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.

The QRP assesses member compliance with the following professional standards:

- The IPA By-laws;
- The IPA Pronouncement 7 – *Continuing Professional Development*;
- The Professional Standards legislation;
- APES 110 – Code of Ethics for Professional Accountants;
- APES 205 – Conformity with Accounting Standards;
- APES 210 – Conformity with Auditing and Assurance Standards;
- APES 215 – Forensic Accounting Services;
- APES 220 – Taxation Services;
- APES 225 – Valuation Services;
- APES 305 – Terms of Engagement;
- APES 310 – Client Monies;
- APES 315 – Compilation of Financial Information;
- APES 320 – Quality Control for Firms;
- APES 325 – Risk Management for Firms;
- APES 330 – Insolvency Services;
- APES 345 – Reporting on Prospective Financial Information in connection with a Public Document; and
- APES 350 - Participation by Members in Public Practice in Due Diligence Committees in connection with a Public Document.

General information on the QRP can be found on the IPA website under Pronouncement 4.

Please be aware that failure to complete the QRP 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 QRP 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 QRP.

## **7.5: Professional Standards Scheme**

### **7.5.1: Professional Standards Councils**

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 Professional Standards Scheme (Scheme) applications.

The Professional Standards Authority is the national regulatory agency with a core purpose to protect consumers by improving professional standards. It is made up of expert 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 consumer protection and promotes the vital role professions play. More Information about the PSC and its regulatory role can be obtained from [www.psc.gov.au](http://www.psc.gov.au).

### **7.5.2: What is a Professional?**

The word “*professional*” 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 a person 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 in 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.

### 7.5.3: 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 the association and its members.

Having a Scheme in place, identifies the IPA as professional association that demonstrates a commitment to regulation and consumer protection under the professional standards legislation. 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.

A Scheme in place protects PPC holders from financial loss as the Scheme has two litigation caps that limits the amount of damages that a member (or underwriter) has to pay a client in the event a claim is upheld in court against a PPC holder. This capped protection is important as the marketplace has becoming increasingly litigious as more and more people default to litigation as a solution.

The current Scheme's start date was the 1 January 2022 and it will remain in place for five years until 31 December 2026. The new IPA Scheme is aligned more closely with the Schemes for the other two accounting bodies, making the IPA more competitive.

The new Scheme was approved with significant changes and improvements over the 2019-2021 Scheme. The improvements are:

#### (a) New Scheme cap amounts:

The Scheme has two caps which are determined by the members fee income/turnover (ex GST) for the previous financial year. The first cap is \$2 million for firms with a turnover under \$10 million (ex GST), and the second cap is \$10 million for firms with a turnover of \$10 million (ex GST) and above. Most members (99%) will retain their current \$2 million cap and will continue to hold a minimum of \$2 million professional indemnity (PI) insurance per reinstatement. Members with a turnover of \$10 million or more will need to hold a minimum of \$10 million PI insurance per reinstatement. Members will still be required to comply with the insurance requirements in By-law 9.1.11, otherwise cover under the Scheme may be void.

#### (b) Scheme cap variations

Members can apply to vary their Scheme cap amount up to a maximum of \$75 million (previously \$20 million). The approval rests with the IPA and relies on members holding PI insurance up to the value of the higher cap. There is a new application form for this purpose.

(c) Scheme now covers financial advisors

The Scheme now covers all IPA PPC holders, including those holding an Australian financial services (AFS) licence or limited AFS licence with the Australian Securities and Investments Commission (ASIC) and authorised representatives of both of these licence holders. No special registration is necessary as there is automatic inclusion in the new Scheme.

(d) Scheme now applies to entity members

The Scheme will now extend beyond individuals to include a member's practice entity, which must be an Australian company that is registered with ASIC and has an Australian Company Number (ACN). All directors of the entity must be members of the IPA, CA ANZ and/or CPA Australia and must hold a PPC / Certificate of Public Practice with the IPA or their respective accounting body and be a Scheme Participant with their respective accounting body. Entity membership is not automatic and there is a new application form for this purpose.

(e) Exemption from the Scheme

Members can apply to the IPA for an exemption from the Scheme if they are covered under CA ANZ or CPA Australia's Scheme. Members can only be covered under one Scheme at a time. There is a new application form for this purpose.

#### 7.5.4: Compliance Requirements

Each Scheme participant has compliance requirements placed upon them to remain in the Scheme. Some of these compliance requirements are listed below.

##### 7.5.4.1: Compliance Requirement – Annual Member Declaration

Scheme participants must complete an annual Professional Standards Declaration (February) reporting any PI notifications, claims or settlements over the last 12 months. This information is provided to the PSC.

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

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

*(b) participate in professional practice survey(s) and / or Declarations as requested by the Institute.*

##### 7.5.4.2: Compliance Requirement - Disclosing your Limited Liability

The Professional Standards legislation has mandated that Scheme participants must disclose their limited liability on stationery, business documentation and websites. 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.

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 the disclosure requirements 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.

#### 7.5.5: IPA Scheme Instrument

The IPA ***Scheme Instrument*** is a legislatively supported document that explains to a court how the IPA Scheme works, who is included in the Scheme and who remains eligible to continue to be in the IPA Scheme. The Scheme Instrument can be found on the PSC website at:

<https://www.psc.gov.au/professional-standards-schemes/scheme-documents>

Members should familiarise themselves with the Scheme Instrument as it details some of the member compliance requirements. Simply paying the annual PSC fee does not guarantee Scheme participation as a court of law can rule a member out of the Scheme if the member fails to comply with the ongoing Scheme requirements.

Some of the pertinent clauses of the Scheme Instrument are included below:

- Clause 2 - Persons to whom the Scheme applies,
- Clause 3 - Exemption from the Scheme,
- Clause 6 - Limitation of liability,
- Clause 7 - Discretionary Scheme caps.

#### **7.5.5.1: Scheme Instrument clause 2 - 'Persons to Whom the Scheme Applies'**

### **2. Persons to Whom the Scheme Applies**

2.1 The Scheme applies to:

- (a) all IPA members and IPA Entity Members who hold a current PPC issued by the IPA;
  - and
  - (b) all persons to whom the Scheme applies, by virtue of the Act or the Corresponding Laws.
- (collectively "Participants" and each a "Participant")

#### **7.5.5.2: Scheme Instrument clause 3 - 'Exemption'**

### **3 Exemption**

3.1 No Participant to whom the Scheme applies may be exempted from the Scheme other than a Participant who, on application to the IPA Board of Directors, is able to satisfy the Board that the Participant:

- (a) is also a participating member of another occupational association of accountants that is covered by a professional standards scheme, and has not been exempted from that Scheme;
- or
- (b) would suffer financial hardship in meeting the business asset and/or professional indemnity insurance requirements to the levels required by this Scheme.

#### **7.5.5.3: Scheme Instrument clause 5 - 'Limitation of Liability'**

### **6 Limitation of Liability**

6.1 For the purposes of s.28 of the Act, this Scheme only affects a liability for Damages arising from a single cause of action to the extent to which the liability results in Damages exceeding \$2,000,000.

6.2 If a Participant who is, or was at the time of the act or omission giving rise to Occupational Liability, a Participant to whom or to which the Scheme applies or applied, against whom a proceeding relating to Occupational Liability is brought, is able to satisfy the Court that such Participant has the benefit of an Insurance Policy:

- (a) which insures the Participant against the Occupational Liability to which the cause of action relates;

and

- (b) under which the amount payable in respect of that Occupational Liability is not less than the amount of the applicable Monetary Ceiling specified in clause 6.3 of this Scheme ("the Monetary Ceiling") applicable to the Participant, then the Participant is not liable for Damages in relation to that cause of action above the Monetary Ceiling specified in clause 6.3.



6.3 The Monetary Ceiling (maximum amount of liability) for the purposes of the Scheme is the applicable amount specified in this table:

Group	Monetary Ceiling
Participants who at the Relevant Time generated annual Fee income (excluding goods and services tax) of less than \$10 million for the financial year immediately preceding the Relevant Time	\$2 million
Participants who at the Relevant Time generated annual Fee income (excluding goods and services tax) of \$10 million or more for the financial year immediately preceding the Relevant Time	\$10 million

#### 7.5.5.4: Scheme Instrument clause 7 - 'Conferral of Discretionary Authority'

### 7 Conferral of Discretionary Authority (discretionary Scheme caps)

7.1 Pursuant to s.26 of the Act, this Scheme confers on the IPA a discretionary authority to specify, on application by a Participant to whom the Scheme applies, a higher Monetary Ceiling (maximum amount of liability) not exceeding \$75 million in relation to that Participant either in all cases or in any specified case or class of case.

#### 7.5.6: Professional Indemnity (PI) Insurance Requirements

Member reliance on the Scheme to limit their liability relies on whether or not the correct PI insurance is held that complies with the Scheme requirements as stated in clause 6.2 and 6.3 of the Scheme Instrument (above).

In summary, clause 6.2 and 6.3 of the Scheme state that Scheme participants must satisfy the court they hold an insurance policy which insures them against the type of accounting services performed and the amount insured complies with table 6.3 (being either \$2 million or \$10 million per reinstatement, depending on turnover).

The IPA PI insurance requirements are contained in:

- By-Law 9.1.10, and
- By-Law 9.1.11.

#### By-law 9.1.10

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;"

Sole traders must 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.

- (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"



Partners must comply with By-law 9.1.11 and have a PI insurance policy that covers the other partners and the entity and provides run-off cover after the member ceases to operate the practice.

- (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.”*

Directors must comply with By-law 9.1.11 and have a PI insurance policy that covers the all other directors and executive officers of the company and provides run-off cover after the member ceases to operate the practice.

#### By-law 9.1.11

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

*Members may be excluded from the Professional Standards Scheme if they don't hold Professional Indemnity insurance in accordance with this By-law. Professional indemnity insurance must provide:*

- (a) *cover for the amount(s) specified by the Board of Directors for each and every claim, currently until 31 December 2021, not being less than \$2 million for each reinstatement (any one claim);*
- (b) *cover for the amount(s) specified by the Board of Directors for each and every claim, commencing on 1 January 2022:*
  - *not being less than \$2 million for each reinstatement for Members that generated annual fee income (excluding goods and services tax) of less than \$10 million in the financial year immediately preceding any act or omission that has given rise to an occupational liability (damages claim); or*
  - *not being less than \$10 million for each reinstatement for Members that generated annual fee income (excluding goods and services tax) of \$10 million or more in the financial year immediately preceding any act or omission that has given rise to an occupational liability (damages claim); or*
  - *not being less than the monetary ceiling (Scheme cap) specified by the Board of Directors who under section 26 of the Professional Standards Act 2003 (Vic), have the discretionary authority to specify, on application by a Member, a higher monetary ceiling for that Member, not exceeding \$75 million.*
- (c) *a policy excess (deductible) of no more than an amount determined by the Board of Directors from time to time, currently being no more than 2 per cent of the policy limit of indemnity, or \$200,000, whichever is the lower amount;*
- (d) *cover obtained from an Australian Prudential Regulation Authority (APRA) regulated insurer, which can be verified at: <https://www.apra.gov.au/register-general-insurance>;*
- (e) *a minimum of one reinstatement and preferably unlimited reinstatements;*

- (f) *a defence cost exclusive policy, however if the policy is defence cost inclusive, the policy sets an additional 25 per cent above the policy limit of indemnity amount to fund defence costs;*
- (g) *unlimited retroactive cover;*
- (h) *cover for defamation;*
- (i) *cover for claims arising out of the dishonesty of an employee;*
- (j) *cover for the cost of replacing or repairing documents lost, damaged or destroyed;*
- (k) *cover for any civil legal liability or any act, error or omission, subject to reasonably common exceptions; and*
- (l) *run-off cover for claims against the Member after cessation of business or ceased to hold a Professional Practice Certificate for a period of at least seven years, however if the policy does not include run-off cover, the Member must arrange and maintain run-off cover for a period of seven years following cessation of the business.*

Clauses 9.1.11(a) to 9.1.11(h) must be complied with for the PI policy to be compliant. If member have any questions, please call the IPA. IPA Insure offer members PI policies that comply with By-law 9.1.11.