

15 Short summary of scheme

The Institute of Chartered Accountants in Australia

The Institute of Chartered Accountants Australia is the professional body that trains, governs and supports Australia's Chartered Accountants.

Jurisdictions where schemes are to apply

The Institute of Chartered Accountants in Australia (the Institute) is applying to the Professional Standards Council for schemes in New South Wales, Victoria, Queensland, Western Australia, South Australia, Australian Capital Territory and Northern Territory. It is also intended that these schemes be prescribed by the Commonwealth under the Treasury Legislation Amendment [Professional Standards] Act 2004.

Participating members of the schemes

The eligible members of the proposed Institute Scheme will be:

- Members of the Institute holding Certificates of Public Practice (CPP).
- Affiliate members of the Institute
- Practice entity members of the Institute
- Chartered Accountant employees of members with CPP
- Partners of the CPP holder who are not eligible for membership of the Institute.

Institute's obligations required of participating members

Members of the Institute who will be participating members of the scheme agree to be bound by the Institute's supplemental Charter, By-laws and Regulations prescribing any ruling of the standards of practice and professional conduct, including the technical standards, as required by the Institute to be observed including:

For members generally:

- to comply with the Code of Ethics for Professional Accountants and Miscellaneous Professional Statements
- to undertake 120 hours per three year period of continuing professional education in an area relevant to the member's area of practice.

For CPP holders:

- to hold professional indemnity insurance as set out in Regulation 4A
- to undertake 40% of the minimum CPE requirement in the area of any specialty represented by the holding of a statutory registration.
- To undergo the Institute's quality review program
- To comply with the Institute's Public Practice requirements set out in Regulation 9.

Summary of risk management objectives

The Institute has developed a risk management plan to be implemented over a five year period. The key risk management strategies to be implemented are:

1. To set the benchmark for the highest ethical and educational standards for accountants by recruiting, educating and training a body of members skilled in the theory and practice of accountancy in all its aspects.

2. To set the benchmark for the highest ethical and educational standards by prescribing high standards of practice and professional conduct for its members, non-member practice entities and candidates and maintaining the observance of such standards.
3. To preserve at all times the professional independence of accountants in whatever capacities they may be serving.
4. To prescribe disciplinary procedures and sanctions, to exercise disciplinary powers and to impose sanctions for the better observance of the standards of practice and professional conduct of the Institute by members, non-member practice entities and candidates.
5. To recruit, educate and train a body of members skilled in the theory and practice of accountancy in all its aspects through the provision of Continuing Professional Education.
6. To do all such things in the area of risk management as may advance the profession of accountancy, whether in relation to the practice of public accountants, industry, commerce, education, the public service or otherwise.

Administration of the schemes

Responsibility for the administration of the Institute Accountants' Scheme lies with the Board of the Institute which will:

- Maintain a register of participating members
- Apply discretion in relation to payment of fees in connection with the Scheme
- Determine whether participating members have complied with the requirements of the Scheme.
- Refer non-complying members to the disciplinary committee for breaches of the requirements of the Scheme
- Exercise discretion in accepting business assets either alone or together with insurance cover as an alternative to insurance cover alone
- Consider any application for exemption from the Scheme, and
- Establish processes to monitor and review liability claims with the objective of identifying those areas where further attention is required to reduce the frequency and value of claims.

Framework of the schemes

The proposed Institute scheme distinguishes between Schedule A participants and Schedule B participants.

Schedule A participants are:

5. Deloitte Touche Tohmatsu in Australia and/or its associated entities;
6. Ernst & Young in Australia and/or its associated entities;
7. KPMG in Australia and/or its associated entities, and
8. PricewaterhouseCoopers in Australia and/or its associated entities.

Schedule B participants are all participants other than those listed in Schedule A.

The scheme also distinguishes between Category 1, Category 2 and Category 3 services. In summary, "Category 1 services" are audit services. "Category 2 services" means:

- services to which Chapter 5 or Chapter 5A of the Corporations Act applies;
- services provided pursuant to s.233(2) of the Corporations Act;
- services to which the Bankruptcy Act 1966 applies;
- services arising out of any court appointed liquidation or receivership.

"Category 3 services" means any service provided by a participating member in the performance of his or her occupation which is not a Category 1 or Category 2 service." (See the Scheme for full details and definitions.)

The scheme sets a minimum monetary threshold for the operation of the scheme as follows:

- Schedule A Participants: \$2 million
- Schedule B Participants: \$1 million.

Limitation amounts set by the scheme are as follows:

	Category 1 Services	Category 2 Services	Category 3 Services
Schedule A Participants	The limitation amount is the monetary ceiling of \$75 million	For claims arising from a service where the fee is \$150,000 or less, the limitation amount is the monetary ceiling of \$2 million. For claims arising from a service where the fee is greater than \$150,000, the limitation amount is the monetary ceiling of \$20 million.	For claims arising from a service where the fee is \$150,000 or less, the limitation amount is the monetary ceiling of \$2 million. For claims arising from a service where the fee is greater than \$150,000, the limitation amount is the monetary ceiling of \$20 million.
Schedule B Participants	For claims exceeding \$1 million, the limitation amount is the lower of ten times the reasonable charge for the service provided and the monetary ceiling of \$75 million	The monetary ceiling is the lesser of \$20 million and ten times the highest fee billed by the Participant for Category 2 services over the preceding 3 financial years (see scheme for full details) or \$1 million if no or less than 1 year's billing history applies.	For claims exceeding \$1 million, the limitation amount is the lower of ten times the reasonable charge for the service provided and the monetary ceiling of \$20 million

Further information about the Institute of Chartered Accountants Australia can be found at www.charteredaccountants.com.au