INSTITUTE OF PUBLIC ACCOUNTANTS®

Professional Standards Scheme: Public consultation document

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Contents

PUBLIC CONSULTATION DOCUMENT

1. PURPOSE 3
2. HOW CAN I MAKE A COMMENT OR SUBMISSION? 3
3. BENEFITS OF A PROFESSIONAL STANDARDS SCHEME 4
   a. How will consumers benefit from the Scheme? 4
   b. How does the Scheme enhance the professional standards of the members of the Institute of Public Accountants? 4
   c. How does limiting participant liability help consumers? 5
   d. Is the Scheme professional indemnity insurance? 5
   e. Continuing Educational Program 5
   f. Complaints and Discipline System 6
4. THE SCHEME 6
   a. What is a professional standards scheme? 6
   b. What is the Institute of Public Accountants Scheme? 6
   c. Who administers the Scheme? 6
   d. Who is the Institute of Public Accountants? 6
   e. Where does the Scheme operate? 7
   f. When will the Scheme apply? 7
   g. Does the Scheme apply to all members? 7
   h. How does the Scheme operate? 7
   i. How is the level of limited liability of participating members of the Institute of Public Accountants determined? 8
   j. Can a member of the Institute of Public Accountants opt out of the Scheme? 8
   k. How will consumers know if a member of the Institute of Public Accountants is covered by the Scheme? 9
   l. For how long will the Scheme operate? 9
5. INSTITUTE OF PUBLIC ACCOUNTANTS AND ITS MEMBERS 9
   a. Institute of Public Accountants members 9
   b. What types of work do Institute of Public Accountants members carry out? 9
6. WHERE CAN I FIND MORE INFORMATION? 10

Institute of Public Accountants

THE PROFESSIONAL STANDARDS SCHEME: PUBLIC CONSULTATION DOCUMENT

1. Purpose

The purpose of this Public Consultation Document is for the Professional Standards Councils (Councils) to seek comments and submissions from the public in considering an application for a Professional Standards Scheme. This is a mandatory consideration for the Councils under s 9(1) of the *Professional Standards Act* 2003 (the Act), in that Councils are required as part of a process to give public notice explaining the nature and significance of the Scheme. This document serves that purpose.

Public notification of a Scheme does not necessarily mean the proposed Scheme will be approved by the Councils and authorised by the relevant Attorneys-General or Government Minister.

The Institute of Public Accountants (IPA) has applied to the Councils to approve a Professional Standards Scheme. The Councils is the body responsible for approving Schemes under the Professional Standards Legislation.

Professional Standards Legislation is Australian state-based legislation. Its objects (generally across all jurisdictions) are:

- To protect the consumers of services provided by professionals
- To facilitate the improvement of occupational standards for professionals
- To enable the creation and approval of Schemes to limit the liability of professionals to whom a Scheme applies

For a Scheme to be approved under Professional Standards Legislation, the occupational association proposing the scheme must demonstrate a high commitment to professional standards and consumer protection, implement comprehensive risk management strategies and set professional indemnity insurance standards for Scheme participants.

The IPA's application is being considered by the Councils and is now available for public submissions and comments.

2. How can I make a comment or submission?

Comments and submissions must be made in writing to the Chief Executive Officer, Professional Standards Councils, within 28 days of public notification.

The Professional Standards Councils is located at Level 2, St James Centre, 111 Elizabeth Street, Sydney, NSW, 2000.

Website: www.psc.gov.au
Email: pscinfo@psc.gov.au

Telephone: 1300 555 772 / (02) 8315 0800.

Comments and submissions received will be public, unless confidentiality is specifically requested, and will be subject to the *Privacy Act* 1988.

3. Benefits of a Professional Standards Scheme

a. How will consumers benefit from the Scheme?

Scheme participants must adhere to the highest professional and ethical standards and conduct. They must also hold a professional indemnity insurance policy which complies with the Scheme and in accordance with IPA By-law 9.1.9 (e). These factors provide assurance to consumers that they are served by ethical and professional accountants.

A member of a profession is governed by a code of ethics, has a commitment to competence, integrity, morality and altruism; and promotes the public good within the realms of their expertise.

Professionals are accountable to their clients and to the public. The IPA monitors Scheme participants to ensure that the ethical and professional standards required of them are met.

b. How does the Scheme enhance the professional standards of IPA members?

The Councils expect the IPA, as an association seeking approval of a Scheme, to demonstrate that its members in public practice can protect consumers and manage risk. The IPA must regulate its members to maintain and improve professional standards.

These expectations are shared by the IPA Board and the IPA has implemented strategies to enhance the professional standards of its members. These include but are not limited to:

Risk management framework and practices

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

In this framework the IPA has developed a 5-year Scheme Risk Management Plan which identifies the risks to professional standards and the Scheme and outlines key objectives and strategies that the IPA will implement to monitor, measure, address and mitigate these risks.

Continuing Professional Development (CPD)

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

IPA members are required to undertake 120 CPD hours over a three-year period. If a Scheme participant holds any registrations or specialisations, they are required to undertake CPD in accordance with the requirements of the relevant registration.

In addition to CPD requirements, members applying to enter public practice are required to complete the Public Practice Program which has modules relating to professional and ethical standards, practice management including risk management, statutory and regulatory requirements including those relating to the Professional Standards Scheme and numerous other relevant areas.

Conduct and discipline
IPA members are subject to the complaints and disciplinary process. The IPA has prescribed disciplinary procedures and sanctions, to exercise disciplinary powers and to impose sanctions to enforce compliance with the standards of practice and professional conduct by members, thereby improving the professionalism of members.

Compliance programs – quality review and Scheme questionnaire
Scheme participants are subject to Scheme compliance activities including completing the annual Scheme questionnaire which confirms compliance with the Professional Standards Legislation and the Scheme, and practice quality reviews. Practice quality reviews incorporate Professional Standards Legislation and Scheme compliance as well as compliance with ethical and professional standards.

c. How does limiting participant liability help consumers?

Limiting participant liability helps to underpin the availability of sustainable and affordable professional indemnity insurance for Scheme participants. In turn, this ensures that consumers of accountancy services will receive timely and fair compensation for legitimate claims.

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

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

d. Is the Scheme professional indemnity insurance?

No. The IPA Scheme is not a professional indemnity insurance scheme. The IPA sets minimum professional indemnity insurance requirements for Scheme participants in accordance with IPA By-law 9.1.11 (b).

e. Continuing educational program

The IPA's CPD program mitigates occupational risks whilst improving professional standards and providing consumer protection. The CPD program maintains currency of knowledge which includes changes in law and regulations; professional and ethical standards; changes to professional accounting and auditing standards; and various other topics of relevance to accountants.

The IPA monitors Scheme members' compliance with the CPD requirements. This not only ensures that IPA members are performing within a professional and ethical framework, but it also assures consumers are being served by highly competent, professional and ethical practitioners.

f. Complaints and discipline system

The IPA's complaints and disciplinary system can be accessed by consumers via the IPA website: https://www.publicaccountants.org.au/about/complaint-investigation.

4. The Scheme

a. What is a professional standards scheme?

A Professional Standards Scheme is a legal instrument that binds an association to monitor, enforce and improve the professional standards of its members and protect consumers of professional services.

The Councils are independent statutory bodies which have been established by the Australian state and territory governments. The role of the Councils is to promote professional standards and provide consumer protection.

The three pillars that underpin Professional Standards Legislation are:

- Consumer protection
- Professional standards improvement
- Association support.

More information on the Councils and individual jurisdiction legislation can be accessed via: https://www.psc.gov.au/

b. What is the IPA's Scheme?

The IPA's Professional Standards Scheme is a legal instrument that binds the IPA to monitor, enforce and improve the professional standards of its members and to provide protection for consumers of those professional services.

As a result of undertaking these commitments, the Scheme caps the civil liability or damages that Scheme participants may be required to pay if a court upholds a claim against them.

c. Who administers the Scheme?

Responsibility for administering the Scheme and ensuring compliance with the requirements of the Act and of the Councils rests with the IPA Board and relevant IPA senior executives, predominately the Chief Executive Officer and the Group Executive, Advocacy & Policy.

The administration of the Scheme is supported by IPA's Manager Professional Standards.

The IPA's head office is located at Level 6, 555 Lonsdale Street, Melbourne Victoria.

d. Who is the IPA?

The IPA is one of the three professional accounting bodies in Australia, representing over 38,000 members and students in Australia and in more than 80 countries. The IPA prides itself in not only representing the interests of accountants but also small business and their advisors. The IPA is governed by its Constitution and operates under a robust and stringent governance structure.

The IPA is a full member of the International Federation of Accountants (IFAC), the Australian Professional end Ethical Standards Board (APESB) and the Confederation of Asian and Pacific Accountants (CAPA).

The IPA advocates on behalf of its members, the profession, small business and in the public interest. Supporting this advocacy work is the IPA's representation on numerous government, regulatory, industry, consumer and professional association forums, both here in Australia and globally.

The IPA has articulated its **purpose** as: *To improve the quality of life of small business*; and its **vision** as: *To have every small business with one of our members by their side*. The IPA recognizes that having members who are committed to adhering to the highest ethical and professional standards is critical to achieving this purpose and vision.

The IPA's values are based on Respect:

- We respect our membership
- We respect each other
- We respect and foster flexibility
- We respect and foster innovation
- We respect that we're all on the same team

e. Where does the Scheme operate?

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

f. When will the Scheme apply?

The Scheme will commence on 1 January 2022 for a 5-year period, once each state and territory has made the required publication in their respective jurisdiction gazette.

g. Does the Scheme apply to all IPA members?

Participation in IPA's Scheme is limited to members in practice in Australia, being members who hold a Professional Practice Certificate (PPC), and also applies to Entity Members who hold a PPC.

The Scheme will also apply to members who hold an Australian Financial Services Licence (AFSL) or who are Authorised Representatives of an AFSL holder. Since the IPA's last Scheme application, this segment has become regulated by the Financial Adviser Standards and Ethics Authority which was established in 2017. This has served to largely de-risk this segment, in which many IPA members practice in addition to the accounting services listed in section 5a. below.

h. How does the Scheme operate?

The Scheme provides participating members with the benefit of a statutory cap if damages are awarded against them because of a successful occupational liability

claim. Under the Scheme, the person must have the benefit of business assets or insurance to an amount at least equal to the liability cap (monetary ceiling) applying to that person at the relevant time.

Limiting participant liability helps to underpin the availability of sustainable and affordable professional indemnity insurance for Scheme participants. In turn, this ensures that consumers of accountancy services will receive timely and fair compensation for legitimate claims.

Scheme participants are required to meet the professional standards and conduct expected of them by the IPA. This means that participation in a Scheme enhances:

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

i. How is the level of limited liability of participating IPA members determined?

Pursuant to s.26 of the Act, and the relevant provisions of the corresponding laws, this Scheme only affects the liability for damages arising from a single cause of action to the extent to which the liability results in damages exceeding $2,000,000 (the Monetary Ceiling) as outlined in the table below:

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

j. Can an IPA member opt out of the Scheme?

An IPA member who is a participant in the Scheme cannot opt out unless the member can satisfy the IPA Board that he or she is already an active, participating member of another professional accounting body's Scheme. There is also a provision allowing members to apply to the Board to be exempted from participation on the grounds of financial hardship.

k. How will consumers know if an IPA member is covered by the Scheme?

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

- Letterhead and letters
- Fax cover sheets
- Emails
- Newsletters and other publications
- Website
- Written advice
- Memorandum of fees and invoices unaccompanied by a separate document with the disclosure statement

l. How long does the Scheme operate for?

It is proposed that the Scheme will operate for a 5-year period from the date of commencement.

5. The IPA and its members

a. IPA members

IPA members are dedicated to their clients while upholding the highest level of integrity, professionalism and ethics. These standards are essential to the global accounting profession and are governed by the IPA through a thorough and active quality assurance process which supports the integrity of the organisation and the broader profession. The IPA supports this activity through the delivery of ongoing mandatory CPD for members as part of lifelong learning that equips them with currency of knowledge that best supports the needs of their clients.

The IPA's membership base comprises the following designations:

- Associate Member (AIPA)
- Member (MIPA)
- Fellow (FIPA)

All IPA members who participate in the Professional Standards Scheme must hold a complying professional indemnity insurance policy.

b. What types of work do IPA members carry out?

IPA members undertake their work through a variety of structures including sole traders, corporate positions and public practitioners. The work may include individual and business tax affairs; business management including planning and advice; corporate accounting-based functions; and regulatory compliance. The list of services includes: accounting, bookkeeping, taxation, auditing and assurance services, insolvency and corporate reconstruction, management accounting, management consulting, financial planning advice, forensic accounting, consumer and commercial credit services (credit activity services), transactional accounting, valuation services and financial reporting activities, provided to the public.

6. Where can I find more information?

Information about the existing and proposed IPA Professional Standards Schemes and Scheme Instruments can be found at:
https://www.publicaccountants.org.au/membership/ppc/professional-standards-scheme

Information about the IPA, its history and recognition as a professional accounting body be found at:
https://www.publicaccountants.org.au/about

IPA staff that administer the IPA Professional Standards Scheme can be contacted at:
complianceadvisor@publicaccountants.org,au

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