

CPA Australia

Professional Indemnity policy for members providing Pro-bono or Voluntary Accounting Services in the Community

Frequently Asked Questions

These frequently asked questions were prepared by CPA Australia in conjunction with the organisations preferred broker, Fenton Green & Co to support the launch of global complimentary professional indemnity cover for CPA Australia members who provide pro-bono or voluntary accounting services in the community.

1 Defining Pro-bono or Voluntary Accounting Services (Honorary Work)

1.1. What are pro-bono or voluntary accounting services?

Pro Bono or voluntary accounting services are defined as 'work for which absolutely no payment is made in cash or kind'. If an honorarium is paid it is as 'a fee paid in respect of a formal honorary post for a charity, amateur organisation and other not for profit organisation'.

The difference between these two points is very important, especially when it comes to a dispute or insurance coverage. The CPA Australia policy provides coverage for members who have provided pro-bono or voluntary accounting services and received no fees or honorarium.

1.2 If you provide pro-bono or voluntary accounting services without reward is there a risk?

When an individual provides advice the fact that a fee is charged for that advice or not does not affect the liability associated with that advice. Under our common law system you may be held responsible for professional advice an organisation seeks from you as a qualified accountant.

It is a very important point to bear in mind when you give advice for which you do not charge, or charge a greatly reduced fee, that a claim can still be made against you if the advice provided is defective. To determine whether a case against you will succeed the court will ask the following questions:

- + Was the duty of care owed to the client?
- + Had the duty of care been breached?
- + Was the breach causative of loss?

If the answer to all three questions is yes the claim will succeed, irrespective of the size of fees charged, if at all.

1.3 Are there many professional claims made in relation to accounting or auditing jobs done voluntarily?

CPA Australia is aware of a number of incidents over the past decade where queries or notifications have been made in relation to services provided by accountants to community organisations, with the potential claims providing substantial grief for members. The purpose of the pro-bono or voluntary accounting services policy, acknowledging that the risk is not great, is to provide protection for members' personal assets.

1.4 Are pro-bono or voluntary services low risk?

The risk profile of providing pro-bono or voluntary accounting services is exactly the same as any other engagement. Before agreeing to provide pro-bono or voluntary accounting services a member should undertake a personal risk assessment.

The principles of the risk assessment should be based on knowing your client being the organisation to which you are providing the services. A simple checklist follows:

- + Know your client
 - Review the Constitution, By-Laws, minutes of meeting and internal control procedures
 - Ask questions
- + Understand the Engagement
 - Define your role
 - Check that your expectations match those of the organisation
 - Ensure you have the appropriate experience and expertise
- + Check that the organisation understands your ethical obligations

CPA Australia has a more detailed checklist available to assist you to undertake a risk assessment.

1.5 I am in public practice does this PI insurance policy cover pro bono work I do through my practice?

The CPA Australia PI Insurance Scheme provides a civil liability cover for pro-bono or voluntary you do as an individual, in your own name. If you are in public practice the pro bono work undertaken by the practice, as part of the practice's normal business activities, should be included in the cover provided by the practices professional indemnity insurance policies.

1.6 If voluntary service has been provided e.g. in a community school, whereby no fees have been received for the services rendered, would PI insurance be required?

As noted in the first question in this section, the fact that no fee has been charged does not absolve the firm from liability. When one gives advice there is always a contingent liability associated with that advice. The CPA Australia policy will cover you as an individual.

2 The policy wording and coverage

2.1 Who is covered by the policy?

Any member of CPA Australia who provides pro-bono or voluntary accounting services in the community only. To maintain cover under this policy you must continue to be a member of CPA Australia. If you cease to be a member of CPA Australia you will not be covered.

2.2 What is the period of cover?

CPA Australia will renew the cover annually. The date of inception of the policy is from 1 August 2010 and a retroactive date of 31 January 1993. The retroactive date is the date after which acts, errors or omissions of the insured are covered. That is, any act, error or omission arising from work done after the retroactive date will be covered under the policy. The inception date is the date of the start of the policy period.

2.3 What is the limit of cover?

The cover provides a claim limit of AUD\$250,000 for any one claim and in the aggregate for any one CPA Australia member.

The policy has an aggregate limit of AUD\$20,000,000 for all claims for all CPA Australia members for each policy period.

2.4 What is a Claims Made and Notified Policy? How does it differ from an Occurrence Policy?

A 'claims made and notified' policy requires all claims and any fact, situation or circumstance likely to result in a claim to be notified to the insurer within the period of insurance during which the claim is made or becomes known. The actual mistake could occur at any time where the policy provides unlimited 'retroactive cover, otherwise the act, error or omission must have occurred subsequently to any date specified' which limits the retroactive period. All professional indemnity policies issued in Australia are claims made and notified policies.

In an 'occurrence' insurance policy the circumstance must occur during the period of insurance.

2.5 Does the policy provide cover for past Pro-bono or Voluntary Services?

Yes. A key feature of the policy is that it has a retroactive date of 31 January 1993. This means that any past services from 31 January 1993 forward are covered, subject to there being no known claims or circumstances at the start of the insurance.

2.6 Does the policy have an excess level payable by a member in the event of a claim?

Yes. The excess level for each and every claim, inclusive of defence costs is AUD\$1,000. For matters falling under the jurisdiction of the courts in the USA or Canada, or territories which come within their jurisdictions, the excess level is AUD\$10,000 for each and every claim, inclusive of defence costs.

3 Other Insurance Requirements for Work for Not-for-Profits

3.1 Does the policy provide cover for being a treasurer for a not-for-profit association?

The PII policy will provide you with cover for individual actions that you undertake in the preparation of accounting services for a not for profit association. However, the position of treasurer is deemed to be one of an officer of the organisation so our advice is that the organisation should have directors' and officers' insurance.

3.2 Does the policy provide cover for being a secretary for a not-for-profit association?

The secretary role is also deemed to be one of an officer of an organisation and although your role within the organisation may be different to that of directors, you can still be held responsible if an action is taken against the directors and officers of the organisation.

3.3 Is a committee considered to be the same as a board?

If the committee has the ability to make decisions on behalf of the organisation, then it would be deemed to hold a position similar to that of a board. It is important that when one is seeking directors' and officers' insurance that a committee is included in the definition of the insured.

3.4 I am a treasurer of an incorporated sporting club, where can I obtain more information about taking out personal risk insurance?

The Directors' & Officers' Insurance Fact Sheet is available on the CPA Australia website and this provides a broad outline of your personal risk profile. Visit www.cpaaustralia.com.au/insurancetoolkit

3.5 Would you recommend directors' and officers' insurance be taken out for office holders in the local lions /rotary clubs? Should the clubs pay for this?

Our advice is that all not-for-profit organisations should consider directors' and officers' insurance as a way of transferring the personal risk of the directors and officers of those organisations as a result of holding a position within the organisation. It is normal for the organisation to pay for the insurance as it also provides indemnity for the organisation as well.

3.6 As the treasurer of a profitable sporting club, what could trigger an insurance claim?

The main areas of risk for any organisation can be set out in the following broad categories > employee related matters; occupational health and safety; financial management; and corporate governance.

4 Opting into the Pro-bono and voluntary accounting services policy

4.1 How do I take out this free cover?

Under an initiative introduced by CPA Australia to give something back to the community, you can now be covered under CPA Australia's global professional insurance policy which provides complimentary Professional Indemnity insurance to any member performing pro-bono or voluntary accounting services to the community. If you are therefore only providing these services you will no longer need to purchase your own, separate Professional Indemnity insurance.

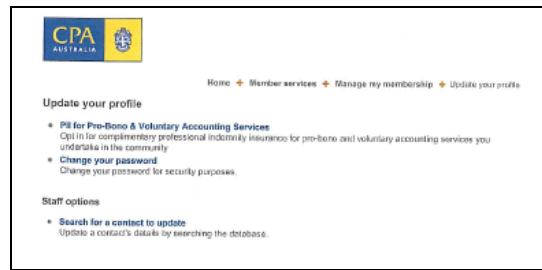
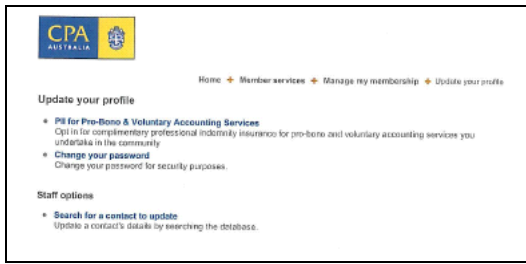
If you are however, offering honorary services other than to community organisations and/or providing private accounting services with fees less than \$7,500 then you should continue to apply for the [Mini Policy](#).

Opting into the cover is as simple as reviewing the policy terms and conditions and ticking an accept box.

The opt-in box is accessed via 'Manage Your Membership' on www.cpaaustralia.com.au

+ Logon to the CPA Australia website.

- + Click on:
 - > Members Services >
 - > Manage My Membership >
 - > Update My Profile >
 - > PII for Pro-bono and Voluntary Accounting Services in the community



4.2 Why do I need to opt-in?

Opting in ensures that members make an informed decision about their individual risk profile, and acknowledge the terms and conditions of the policy cover. CPA Australia will also use this information to provide updates on tools and resources designed to assist members who are providing pro-bono or voluntary accounting services in the community.

4.3 Further Information / Who should I contact if I have a claim?

The policy is managed by Fenton Green on behalf of CPA Australia. Should you wish to make a claim or discuss the technical nature of the policy please contact:

From Australia

GPO Box 3181
Melbourne VIC 3001
Australia
Telephone 1300 760 123
Fax 1300 760 522
Email cpa@fentongreen.com.au

From Overseas

Telephone +61 3 8625 3333
Fax: +61 3 9621 2399

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