

CR 2 – Certificates of Public Practice

Issued 28 April 2023



2.1 Purpose

This Regulation sets out the requirements for Certificates of Public Practice (**CPPs**) for Members of CA ANZ.

2.2 Definitions

- (a) Unless expressly defined in this Regulation, capitalised terms used in this Regulation are defined in By-Law 2.
- (b) References to Chartered Accountant in CR 2.4 to 2.27 are applicable to both Chartered Accountants and Chartered Accountant Fellows.
- (c) **Principal** in this CR2 has the same meaning given to that term in By-Law 39(r), namely it means any person, who is a principal of the Practice or a principal, partner, director, officer or trustee of a Related Entity of the Practice and includes:
 - (i) in the case of a Practice Entity or a Related Entity of the Practice which is a partnership, a partner of that partnership;
 - (ii) in the case of a Practice Entity or a Related Entity of the Practice which is a body corporate, a director of that body corporate;
 - (iii) in the case of a Practice Entity or a Related Entity of the Practice that is conducted as a trust, an individual who, as an officer or employee of the trustee of that trust, or otherwise, provides or participates as a Principal in the provision of the services provided by the Practice; and
 - (iv) in the case of a Practice Entity or a Related Entity of the Practice an individual who, as an officer or employee or otherwise, of the Practice Entity or Related Entity of the Practice, provides or participates as a Principal in the provision of the services provided by the Practice.

Commentary

Factors to consider in determining whether a person is a Principal of a Practice Entity includes whether:

- *they have responsibility for the standard of professional work undertaken by the Practice Entity and management of the Practice Entity's activities including client selection and retention, determining the terms of the professional engagement, the type and quality of professional services provided, risk management, the exercising of professional judgement in ethical and technical matters and signing of engagements;*
- *their individual acts are binding on the Practice or other Principals of the Practice;*
- *they have the potential for personal liability for the Practice's liabilities;*
- *they have a role in the governance of the Practice;*
- *they have responsibility for signing off on professional engagements;*
- *they are acknowledged in the professional indemnity policy of the Practice as a person responsible for professional engagements;*
- *the perception of clients and suppliers of the Member is of a person who is able to bind the Practice;*
- *a Principal, partner, director, officer or trustee of a Related Entity of the Practice may also be considered to be a Principal of a Practice Entity.*

A sole practitioner (with or without staff) will always be considered a Principal of their practice.

The absence of an equity holding in the Practice by the Member is not a conclusive factor in determining whether a Member is a Principal. Similarly, an ownership interest in a Practice is not necessarily the sole factor in determining whether a Member is a Principal of a Practice Entity. For example, an employee is not considered to be a Principal merely where a share in ownership is incorporated into their employee remuneration package.

2.3 By-Law provisions

By-Laws 32A to 34 relate to CPPs.

2.4 Chartered Accountants resident in New Zealand

A Chartered Accountant resident in New Zealand must comply with the NZICA Rules with respect to holding a CPP. Members not resident but practising in New Zealand may be subject to the NZICA Rules for the purposes of NZICA carrying out its regulatory or disciplinary functions.

2.5 Chartered Accountants resident in Australia

A Chartered Accountant resident in Australia must comply with the requirements set out in CR 2.6 to 2.27.

2.6 Members Required to Hold a CPP

A Chartered Accountant who:

- (a) is a public accountant, as defined in Article 2(z) of the Supplemental Charter; or
- (b) is a Principal of a Practice Entity which includes a public accountant(s) as defined in Article 2(z) of the Supplemental Charter,

must apply for and hold a CPP.

- 2.7 Where a Chartered Accountant holds a CPP issued in accordance with the NZICA Rules, and additionally has a requirement to hold a CPP only by virtue of CR 2.6(b) above, the CPP issued in accordance with the NZICA Rules will be considered to satisfy the requirement to hold a CPP for the purposes of this Regulation.

Commentary

The intent of this Regulation is to ensure that CA ANZ has a record of all Chartered Accountants who are principals in a Practice Entity where that Practice Entity provides or, may reasonably be inferred, to provide accounting services to the public for reward.

*In accordance with clause 2.1 of the CA ANZ Professional Standards Scheme (the **Scheme**), a Chartered Accountant who holds a CPP is a participating member of the Scheme, to the extent that the relevant Scheme applies. A Chartered Accountant who does not comply with this Regulation will not be a participating member of the Scheme. Only participating members of the Scheme will benefit from liability capping in the event of a claim against them.*

Under the Supplemental Charter, copied below, public accountants include principals who provide public accountancy services to the community for remuneration. It extends this definition to include directors of bodies corporate and trustees of trusts offering public accountancy services.

The Supplemental Charter defines "public accountant" to mean a natural person:

- (i) *who maintains as a principal, whether on his or her own behalf or as a trustee and whether alone or with others, an office for the provision of 1 or more public accountancy services and who places that service or those services at the disposal of the community for remuneration, and not solely at the disposal of any individual, firm, trust or body of persons, corporate or unincorporated; or*
- (ii) *who is a shareholder in, or a director of, a body corporate which, whether on its own behalf or as a trustee and whether alone or with others, maintains an office for the provision of one or more public accountancy services and which places that service or those services at the disposal of the community for remuneration, and not solely at the disposal of any individual, firm, trust or body of persons, corporate or unincorporated body, and who, as an officer or employee of such body corporate or otherwise, provides or participates in the provision of such service or services on behalf of such body corporate; or*
- (iii) *who is a beneficiary under a trust the trustee of which, whether alone or with others, maintains an office for the provision of 1 or more public accountancy services and places that service or those*

services at the disposal of the community for remuneration, and not solely at the disposal of any individual, firm, trust or body of persons, corporate or unincorporated body, and who, as an officer or employee of such trustee or otherwise, participates in the provision of such service or services on behalf of such trustee.

The Supplemental Charter defines "public accountancy services" to mean such services as the Board may from time to time determine to be "public accountancy services". On 28 April 2023, the Board determined that "Public Accountancy Services" means any service or activity, undertaken by a Member to a member of the community for remuneration, requiring accountancy or related skills, including but not limited to, accounting, assurance, taxation, financial management, management consulting, insolvency, valuation, financial advice and corporate advisory services."

As a rule, members who hold a licence or registration to undertake public accounting services as defined above will be required to hold a CPP. This would not apply where the member does not use such licence or registration (despite holding such).

The following are **not** considered to be public accountancy services;

- providing services on a pro bono or honorary basis as it is not considered to be for reward;
- providing financial planning or other accountancy services as an employee or officer of an Australian Prudential Regulation Authority regulated entity;
- holding an investment interest in a Practice Entity but would not otherwise be considered a Principal of the Practice Entity;
- acting as an officer of a client entity, including being an executor, power of attorney, director or trustee.

A Chartered Accountant will not be required to obtain a CPP solely by virtue of:

- using the post nominals CA, FCA on their business card;
- using a specialist designation authorised under these Regulations; or
- referring to membership of CA ANZ on their curriculum vitae or professional profile.

unless they are otherwise required to hold a CPP.

2.8 Exemption for certain joint Members

- (a) A Chartered Accountant will not be required to hold a CPP if the Chartered Accountant holds a current Public Practice Certificate issued by CPA Australia Ltd (**CPA Australia**).
- (b) A Chartered Accountant exempted from holding a CPP under CR 2.8(a) shall advise the Board annually of their continued entitlement to this exemption, or shall advise the Board immediately where they cease to hold a current Public Practice Certificate issued by CPA Australia.
- (c) The exemption under CR 2.8(a) does not operate to exempt an NZICA Member from the requirement to hold a CPP issued by NZICA in accordance with the NZICA Rules.

Commentary

A Chartered Accountant who:

- is also a member of an overseas accounting body, other than NZICA;
- holds a certificate from that overseas accounting body which permits or allows the Chartered Accountant to provide public accountancy services; and
- resides in Australia,

is required to hold a CPP in accordance with this CR 2.

Where a Chartered Accountant is granted an exemption under CR 2.8(a), the Chartered Accountant's firm will then not be able to be compliant with CR 9.6(c), and consequently will not be entitled to use the description 'Chartered Accountants' and/or logo.

Pre-requisites to Holding a CPP

2.9 Service, Education and Membership Requirements

- (a) Normal Admission under By-Law 12(a)

An applicant for a CPP who is a Chartered Accountant admitted under By-Law 12(a) will have:

- (i) a minimum of 2 years' experience as an employee of a Chartered Accountant in public practice; or
 - (ii) 2 years post admission experience in public practice.
- (b) Special Admission under By-Law 14 and Admission under former By-Law 6A (since repealed)

An applicant for a CPP who is a Chartered Accountant admitted under By-Law 14 or under former By-Law 6A will have:

- (i) a minimum of 2 years Australian experience in public practice; or
 - (ii) a minimum of 2 years' experience in public practice post admission as a member of any one of the bodies recognised for the purposes of CR 1.9(a), or as a member of NZICA.
- (c) All CPP applicants must be:
- (i) able to demonstrate a satisfactory understanding of Australian company and taxation laws. Applicants who completed the CA program in Australia will be taken to have satisfied this requirement by the completion of that program. Other applicants will need to provide satisfactory evidence of acceptable verifiable learning; and
 - (ii) be a fit and proper person to offer public accountancy services in accordance with CR 1.

2.10 Public Practice Program

An applicant must have undertaken the Public Practice Program (**PPP**), or have completed an alternative course approved by CA ANZ, before commencing practice.

- (a) Where no course is available prior to commencement of practice an applicant must complete the e-learning component of the PPP and agree to complete the PPP within 6 months of the date on which approval to commence practice was granted by the Board, or at the earliest available date.
- (b) Should a Chartered Accountant not complete the PPP within 6 months of the date on which approval to practise was granted by the Board, the CEO may suspend their CPP until the PPP is successfully completed.
- (c) An applicant applying for a CPP is not required to attend and complete the PPP until the gross annual fees of their practice exceed 25% of the amount prescribed as the concessional threshold in CR 4. When such fees exceed 25% of the amount prescribed as the concessional threshold, the applicant must undertake the PPP, or an equivalent course approved by CA ANZ, within a period ending 6 months following the date of their next membership subscription renewal, or if there are circumstances which in the opinion of CA ANZ prevent that, at a later date approved by CA ANZ.
- (d) An applicant who was previously the holder of a CPP and who ceased practice within a 5 year period prior to the date of application is not required to undertake the PPP unless so sanctioned by the Disciplinary Tribunal, Appeals Tribunal or their predecessor bodies.
- (e) The PPP will remain valid for 5 years from the time it is successfully completed by an applicant. If an application for a CPP is not received or finalised within the 5 years, the program must be undertaken again.

Commentary

A Chartered Accountant who continues to practise when their CPP is suspended under CR 2.10(b) will be referred to the Professional Conduct Committee. For the purposes of CR 2.10(c), the annual gross fees of a practice are the total fees of the practice, not the individual Chartered Accountant's share of those fees.

2.11 Professional competence

Unless approved by the Board, an applicant must demonstrate professional competence in the 2 years preceding application. This is ordinarily done by complying with CR 7 Continuing Professional Development (CR 7). Compliance solely based on exemptions included in CR 7 or non-verifiable continuing professional development will not be considered as satisfying this requirement for the purpose of obtaining a CPP.

2.12 Professional Indemnity Insurance

An applicant will confirm the existence of a contract of professional indemnity insurance which:

- (a) is valid and binding; and
- (b) meets at least the minimum requirements set out in CR 2A.

2.13 Interview

An applicant may be required to attend a personal interview.

2.14 Consent of Employer

An applicant who is an employee of a Chartered Accountant in public practice shall be required to include with the application the written consent of their employer.

2.15 Quality Management

An applicant will confirm that a quality management system in accordance with APES 320 Quality Management for Firms that provide Non-Assurance Services and/or, where applicable, ASQM 1 Quality Management for Firms that Perform Audits or Reviews of Financial Reports and Other Financial Information, or Other Assurance or Related Services Engagements (**ASQM 1**) and/or, where applicable, ASQM 2 Engagement Quality Reviews (**ASQM 2**) will be/have been established and maintained and agrees to comply with the ongoing conditions of holding a CPP identified in CR 2.22.

2.16 Client Monies

An applicant will confirm that if a trust account is established or where they act as a signatory on a client bank account, systems and procedures will be maintained in accordance with the requirements of APES 310 Client Monies and the applicant agrees to comply with the ongoing requirements of operating a trust account identified in CR 2.23.

2.17 Business Stationery

An applicant will provide an example of the business stationery for the practice.

2.18 Discretion

Notwithstanding the requirements of CR 2.6 to CR 2.17, the Board of CA ANZ reserves the right to:

- (a) exercise discretion in granting an application for a CPP; or
- (b) relieving a member of the obligation to hold a CPP which would otherwise be required.

Ongoing Obligations of Holding a CPP

Commentary

A Chartered Accountant holding a CPP has an ongoing obligation to ensure that the following conditions applying to the certificate are met. The CPP holder's annual membership renewal is a declaration by the Chartered Accountant that they continue to comply with these obligations.

2.19 Professional Indemnity Insurance

A CPP holder must at all times have, or ensure that their practice has, a contract of professional indemnity insurance which:

- (a) is valid and binding; and

- (b) meets at least the minimum requirements set out in CR 2A.

2.20 Professional Standards Scheme

A CPP holder is required to comply with the requirements of any current Scheme approved under Professional Standards Legislation. CPP holders are required to co-operate with all reasonable requests by the Board or any committee or officer of CA ANZ to assist CA ANZ to meet their obligations to the Professional Standards Council.

2.21 Continuing Professional Development

A CPP holder is required to undertake regular ongoing Continuing Professional Development as set out in CR 7.

2.22 Quality Management

A CPP holder will establish and maintain a system of quality management in accordance with APES 320 (where the CPP holder's practice provides Non-Assurance Services) and, where applicable, ASQM 1 and ASQM 2.

CPP holders must comply with the following conditions

- (a) Undergo a quality review from time to time in accordance with the policies and procedures laid down for the operation of the quality review program.
- (b) In addition to any review conducted in accordance with CR 2.22(a), the CEO may at any time in their absolute discretion direct that a quality review be undertaken of all or part of a Chartered Accountant's practice.
- (c) To enable the program to be conducted in an effective and timely manner Chartered Accountants are required to co-operate with all reasonable requests by the Board, any committee or officer of CA ANZ or any person employed by CA ANZ to conduct a quality review, and to produce such documents or other materials in the Chartered Accountant's possession as may be required to enable a review to be conducted.
- (d) If a Chartered Accountant does not comply within 60 days of a written request in accordance with CR 2.22(c), the Chartered Accountant will be referred to the Professional Conduct Committee.
- (e) Chartered Accountants are required to meet the costs imposed by CA ANZ for a review undertaken in accordance with CR 2.22(a) and/or 2.22(b) of their practice.

2.23 Client Monies

- (a) Where a CPP holder establishes a trust account or where they act as a signatory on a client bank account they must:
 - (i) comply with APES 310 Client Monies (**APES 310**); and
 - (ii) respond in a timely manner, to all reasonable requests made by the Board, any committee or officer of CA ANZ to produce documents or other materials as may be required to by any such person, in order to verify the Chartered Accountant's compliance with APES 310.
- (b) If a Chartered Accountant does not comply with a written request to produce documents or other materials pursuant to CR 2.23(a)(ii) within 60 days of such request, the CEO may suspend their CPP until they provide such documents, other materials or an explanation satisfactory to CA ANZ.

Commentary

A Chartered Accountant who continues to practise when their CPP is suspended will be referred to the Professional Conduct Committee.

CPP Fees and Levies Payable

2.24 Application and Subscription Fees and Levies

An applicant for a CPP shall pay, at the time of approval of the application, such subscription fees and levies as prescribed by CA ANZ.

2.25 Late Lodgement Fee

Where the CPP application is lodged after the Chartered Accountant has commenced providing public accounting services an applicant shall pay, at the direction of CA ANZ, a late lodgement fee of 25% of the sum total of subscriptions that would have been paid during the period since the applicant commenced public practice. This fee will be capped at an amount decided by CA ANZ.

2.26 Annual Subscription Fees and Levies

- (a) The subscription fee is payable annually and shall cover the period 1 July to 30 June and shall be payable on 1 July each year, at the beginning of the relevant year. The Scheme levy is payable annually and shall initially be payable on application and thereafter on 1 July each year.
- (b) Where a Chartered Accountant holds a CPP under both the NZICA Rules and in accordance with the requirements set out in CR 2.6, only one fee relevant to the holding of a CPP will be payable by the Chartered Accountant.
- (c) Where a Chartered Accountant is granted a CPP later than 1 July, the Chartered Accountant's annual fees for the remainder of the fiscal year shall be calculated on a monthly pro rata of the annual fees.
- (d) No concession applies to the levy under the Scheme on all Chartered Accountants who hold a CPP, Affiliates and Practice Entity Members.

2.27 Cancelling a CPP

- (a) A CPP holder who no longer has a requirement to hold a CPP as set out in this Regulation may apply to cancel their CPP.
- (b) Following notification from CA ANZ that the application for cancellation has been approved, the CPP certificate previously held shall be returned.
- (c) If the Chartered Accountant whose CPP is cancelled is required to hold a CPP again in the same financial year, it shall be reissued without the application of CR 2.26.

Commentary

Chartered Accountants considering cancelling their CPP should also refer to CR 2A.8, regarding their obligation to hold professional indemnity insurance run-off cover.