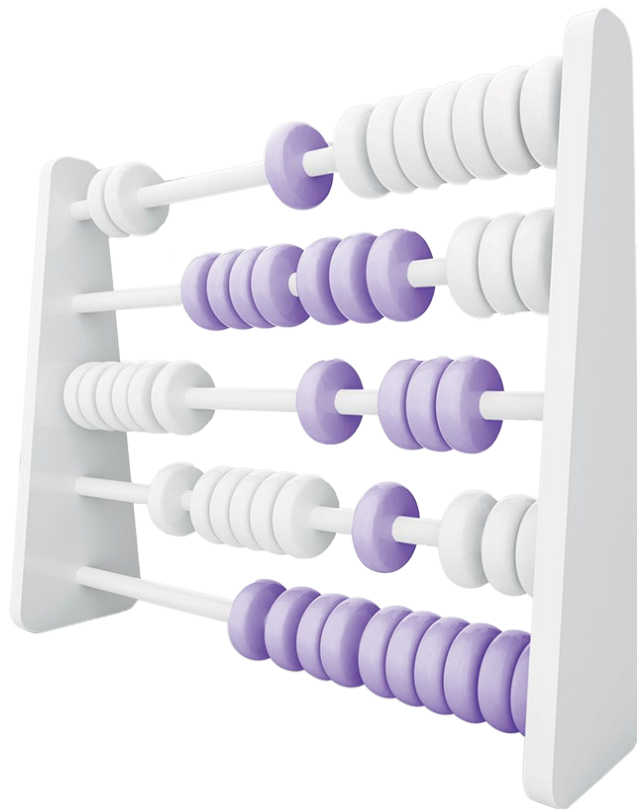




Audit Shield

A tax audit insurance solution Australian accounting firms can count on.



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ABN: 93 149 413 912

AFSL: 276100

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1. Who is Accountancy Insurance?

Accountancy Insurance (Formerly AIB) is a licensed insurance broker. The organisation was established in 2003 to work exclusively with accountants in public practice, providing them and their clients with simple and effective access to tax audit insurance (Audit Shield).

The initial philosophy of Accountancy Insurance was simple - talk to accounting firms to find out what works for them, and then build a product that satisfies their needs.

Given that we are accountants ourselves, we had an insight into the profession and understood two things from the outset:

- 1. Most accounting firms have heard about tax audit insurance to some extent and they believe the concept is a good idea.**
- 2. Accounting firms are time poor, and generally do not have the time to implement tax audit insurance.**

By solving these two problems (and it is not as easy as it sounds), Accountancy Insurance is now the preeminent provider of tax audit insurance in Australia, New Zealand and Canada, working with thousands of accounting firms in regional and metropolitan areas.

We are long-term supporters of the main tax and accounting member organisations, and sponsor the professional bodies as a way of being genuinely involved with the industry. We are the National Tax Affiliate of CPA Australia, Business Alliance Partner of The Tax Institute and are Alliance Partners of Chartered Accountants Australia and New Zealand.

Each of our client accounting firms enjoy the service of a dedicated Account Manager, who works closely with them to ensure that Audit Shield is a genuine 'value add' service for their clients and their firm.

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We have found our Account Manager and the Audit Shield service most helpful. Attentive to the busy needs of our partners, helpful in connecting our clients and prompt with paying claims – we highly recommend the service to firms who are yet to offer Audit Shield to their clients. We enjoy the many benefits of working with the team at Accountancy Insurance.

Michael Burnett, Partner, Accru Hobart TAS

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2. Introduction and summary of Audit Shield

2.1 What is Audit Shield?



Audit Shield provides for the payment of professional fees incurred by a client when audits, inquiries, investigations, reviews or examinations (audit activity) of lodged returns or financial compliance obligations are instigated by the Australian Taxation Office (ATO) and other government revenue authorities, and your client is compelled to act or respond.

An 'audit' is very broadly defined as any matter from a basic phone inquiry to a complete audit of lodged returns with the ATO and other government revenue authorities; and extends to you engaging relevant specialists such as tax lawyers, if required.

The main benefits:

- There is no excess.
- It provides a policy structure that allows for extremely competitive rates.
- It can cover all your client's legal entities under one fee (SMSFs are covered separately).
- It covers your client's lodged returns retrospectively.
- You will have a dedicated Account Manager who can come to you, no matter where your office is located.

2.2 What does Audit Shield cover?

Audit Shield can cover audits, inquiries, investigations, reviews or examinations relating to the following*:

- Income Tax
- BAS and GST
- Recordkeeping
- Fringe Benefits Tax
- Capital Gains Tax
- Superannuation Compliance
- Superannuation Guarantee
- Payroll Tax
- WorkCover
- R & D (ATO only)
- Plus much more

* Subject to terms and conditions of the policy

2.3 The benefits of Audit Shield to your clients

- An annual known fee provides cover for the payment of professional fees otherwise payable at the end of the audit process.
- No ‘unplanned’ professional fees as a result of being selected for an audit.
- The policy structure allows you to offer the Audit Shield service to your clients at a significantly cheaper price than traditional retail alternatives.

2.4 The benefits of Audit Shield to your firm

- The offering is provided to your firm at minimal cost. Audit Shield can be offered to your clients either by email (no additional cost) or by post.
- It can provide your business with an additional revenue stream.
- It can remove the potential for disputes to arise with your clients over the cost of preparing and presenting documents for audits, inquiries, investigations, reviews or examinations.
- It can reduce the volume of fee write offs caused by audits, inquiries, investigations, reviews or examinations.
- It facilitates the prompt payment of claims direct to the firm, and there is no excess on the policy.
- It indicates to your clients that you are proactive, by providing a solution to a potential problem for them.
- It is cash flow positive to your firm.

2.5 Tax audit disclosure

Accountancy Insurance Pty Ltd (AI) and Accountancy Insurance Underwriting Pty Ltd (AIU) have shareholders and directors in common. Each company that is involved in placing your insurance will receive a commission. AIU receives this commission from the insurer, of which another commission is paid to AI.

AIU acts on behalf of the insurer under binder, and AI acts on your behalf as a broker.

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Over 25% of our client base has always taken up Audit Shield. Our philosophy has been that it is our responsibility to let our clients know what services are available, tell them the benefits but then leave them to decide whether or not the offer is right for them. Our suggestion to other accounting firms who do not yet offer Audit Shield to their clients - spend half an hour of your time with Accountancy Insurance to learn about Audit Shield. It will be one of the best investments you make - for your firm and your clients. Costs of inaction could be higher than costs of action.

David Carson, Director, BM&Y, Subiaco and Mandurah WA

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3. Frequently Asked Questions

What is our Audit Shield service?

Our Audit Shield service provides for the payment of our professional fees otherwise payable by you when incurred as a result of our accounting firm being required to respond, on your behalf, to an audit, inquiry, investigation, review or examination (audit activity) of your lodged returns or your financial compliance obligations instigated by the Australian Taxation Office (ATO) or other government revenue authorities.

What is the benefit of our Audit Shield service?

Data matching becomes more sophisticated each year. This makes it simpler and far more likely for previously untargeted tax payers to encounter audit activity, despite compliancy. With our Audit Shield service, you can rest assured knowing that our professional fees will be covered, and the accounting and taxation work will be undertaken, in relation to the audit activity. Often these fees can be greater than those we may charge you for completing the return(s).

What is included under our Audit Shield service?

Professional fees otherwise payable to us that have been incurred in responding to audit activity until the completion of the matter, or until the level of cover as stated on your Client Acceptance Form is exhausted, will be covered under our Audit Shield service. Fees of any other external specialist (e.g. taxation lawyers) or relevant consultant engaged or instructed by us to assist us in a response to audit activity are also covered. Both during (interim payments) and/or upon conclusion of the audit activity, we will present for payment our fees on your behalf to the insurer for recovery against the policy. Should a difference arise between our fees and the amount available to be covered against the policy, we may need to seek the shortfall payment of our fees from you. Your protection begins from the next business day after our receipt of your participation fee (see the attached Client Acceptance Form for further details).

Will my professional fees be covered?

Yes. Costs (professional fees) which are directly related to the work we are required to undertake as a result of audit activity will ordinarily be covered (up to the prescribed level of cover). The cost of these additional fees can be considerable depending on the amount of time required to attend to the audit activity. Standard fees associated with any typical compliance or other work conducted throughout the year are excluded.

Is the cost tax deductible?

Yes. A tax deduction should ordinarily be claimable for your participation fees.

Important information:

Please note that any ATO or other government revenue authorities official inquiries, investigations, reviews or examinations that subsequently change or increase in scope or continue, progress, expand, escalate or evolve into an official audit are always considered to be the one claim matter under our Audit Shield service that commenced on the date of first contact made by the ATO or other government revenue authorities to either our clients or to us.

Is it possible to arrange a pro rata fee for our Audit Shield service?

Yes, depending on your date of payment a pro rata fee may be available. Please speak with us to discuss the specifics of this option.

What audits, inquiries, investigations, reviews and examinations are covered?

- Capital Gains Tax
- Employer Obligations
- Fringe Benefits Tax
- GST/BAS
- Income Tax
- Land Tax
- Payroll Tax
- PAYG
- R & D Tax Incentive (ATO Only)
- Record Keeping
- SMSFs (cover available separately)
- Stamp Duty
- Superannuation Guarantee
- WorkCover/Workers Compensation
- Plus much more

What is not included?

We have carefully selected our Audit Shield policy to provide the widest possible coverage for us and our clients. However, we do remind our clients that such items or circumstances as listed below are not covered:

- Actions in regard to any notices or communications from the ATO or any other government revenue authorities that are educational or advisory in nature or merely suggest, invite or propose actions to be taken by you; or act as a warning to you that you may be selected for audit activity at a future time; or do not compel you to take any action.
- Any ATO audit (with the exception of an audit of compliance with the *Superannuation Guarantee (Administration) Act 1992*) where the auditor has imposed a final shortfall or culpability penalty of 75% or more, and any ATO audit of compliance with the *Superannuation Guarantee (Administration) Act 1992* where the auditor has imposed a final shortfall or culpability penalty of more than 100% of the superannuation guarantee charge.
- Any matter in relation to applications, assessments or reviews of government benefits, entitlements, grants, and/or subsidies and any form of activity involving a review relevant to you maintaining industry status, licence compliance, membership or any form of application, registration or re- registration process.
- Any fine or penalties imposed or for any amounts payable pursuant to an amended notice of assessment or adjustment including but not limited to any additional tax, duty, government impost or similar payments.
- Costs for work incurred which should have been undertaken prior to the audit activity (e.g. outstanding lodgements).
- Audit activity where notification was given prior to the inception of cover (i.e. prior to our receipt of your participation fee).

Who is Vero Insurance and how can they be contacted?

Audit Shield is underwritten by AAI Limited (trading as Vero Insurance), a subsidiary of Suncorp Group Limited.
Postal Address: GPO Box 3999, Sydney NSW 2001
Telephone: 13 18 13
Email: veroinformation@vero.com.au

4. Claims – What you need to know

Claim registration:

It is important to lodge any claims with our office via the Audit Shield Online Portal as soon as you become aware of an audit. Do not wait for the audit to be completed. To register a claim on the Audit Shield Online Portal, email the following information to the portal user in your firm:

- ✓ A copy of the audit notification correspondence (letter or email etc).
- ✓ If it is a phone-based audit only, please provide the date of first contact by an authority, name of the authority (i.e. ATO, SRO, etc.), the officer's name and officer's phone number.

A condition of the policy is that you give your authority for us to contact the officer if required.

If it is a phone-based audit, you are required to provide a copy of any document that indicates the audit has been finalised such as a copy of the ATO, SRO, etc. tax account or assessment notice that shows the refund or amount payable has been issued.

Finalising claims:

At the end of the audit activity, upload the following documents to the Audit Shield Online Portal:

Claims less than \$1,000

- ✓ Your invoice (excluding GST).
- ✓ A copy of the complete audit finalisation correspondence (letter or email etc).

Claims more than \$1,000

- ✓ Your invoice (excluding GST).
- ✓ A copy of the complete audit finalisation correspondence (letter or email etc).
- ✓ A detailed time sheet or WIP report.

Guidance on WIP reports:

The WIP report should include the amount of time spent, by whom and a short description. The description could just be a few words indicating what work was done. For example:

- Collating documents.
- Meeting with client.
- Reviewing information sent from client.
- Phone call with auditor.
- Preparing response/submission to the ATO.
- Finalising response/submission to the ATO.

Admin fee:

We know your time is valuable. In order to ensure your time is covered, you are entitled to add an admin fee for the actual and reasonable time required to supply the necessary documents for the claim (e.g. for uploading the correspondence from the ATO, gathering the finalisation documents etc.). The maximum per registered claim is \$250. Please note, if admin are already recording their time in the WIP report, do not include again.

Interim payments:

Interim payments are available when 3 months have passed from the date of audit notification. The interim payment can be up to 80% of the professional fee limit of indemnity. If you are requesting an interim payment, please include a copy of the WIP report.

Tips for an efficient claim:

- ✓ Manage client expectations.
- ✓ Provide all relevant documents.
- ✓ Provide a detailed WIP report.
- ✓ Call your Account Manager early in the claim process if you have any questions.
- ✓ Tag the matter as a separate job.

N.B. Please de-identify any TFN references before uploading documents.

Any ATO or other government revenue authorities' official inquiries, investigations, reviews or examinations that subsequently change or increase in scope or continue, progress, expand, escalate or evolve into an official audit, are always considered to be the one claim matter under your Audit Shield service that commenced on the date of first contact made by the ATO or other government revenue authorities to either your clients or to you.