



STRATEGIC & EXTERNAL ENVIRONMENT

Professional Standards Schemes: A Real Benefit Many Associations Never Explore

A government-approved mechanism caps member liability in direct exchange for governance discipline

An Australian statutory mechanism exists that many eligible associations have never explored: a Professional Standards Scheme, a government-approved legal instrument that caps the occupational liability of participating members for damages above a set monetary ceiling, in direct exchange for the association committing to higher professional standards and consumer protection. For an eligible professional or occupational association, this can represent a strategic asset, not merely a compliance curiosity.

Which rules apply to your association?

The law depends on how your association is set up. A **company limited by guarantee** follows the Corporations Act 2001 (Cth) and its constitution. An **incorporated association** follows its state or territory associations Act and its rules. A **registered charity** also follows the ACNC Act and the ACNC Governance Standards, and some Corporations Act rules are replaced for charities that are companies. Check your own governing documents, and get advice before decisions with legal consequences.

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What A Scheme Actually Offers Members

An approved Professional Standards Scheme caps the damages a participating member can be held liable for if a court upholds an occupational liability claim against them. Caps vary by scheme and are set with actuarial advice, often scaled to factors such as firm size and insurance arrangements, so check the specific scheme instrument. This is a government-sanctioned protection unavailable to members of associations without an approved scheme, and it can represent a meaningful, tangible membership benefit worth strategic consideration.

What The Association Must Commit To In Return

The liability cap is not simply granted. An association seeking an approved scheme must demonstrate to the Professional Standards Councils that it regulates its members to improve professional standards, furnish detailed risk management strategies, and maintain a complaints and discipline system, connecting directly to the accreditation governance and member complaints handling discipline discussed earlier in this series. The association also lodges annual reports with the Professional Standards Councils and pays an annual fee for each member covered by the scheme. A scheme operates for up to five years, after which a new scheme must be approved. This is an ongoing governance commitment, not a one-time application process the association completes and then forgets. A Professional Standards Scheme rewards an association for governance discipline it should be practising anyway, accreditation rigour, complaints handling, and risk management, by converting that discipline into a tangible, government-recognised member benefit.

The Limit Worth Understanding Honestly

The liability cap a scheme provides is not absolute. A scheme cannot limit liability for death or personal injury, breach of trust, fraud or dishonesty, and it only applies to occupational liability covered by the scheme. Members must also maintain professional indemnity insurance meeting the scheme's own approved standards to remain eligible for the protection at all, and a mandatory disclosure statement confirming the limitation must appear on client-facing materials. This is meaningful protection, not an unconditional shield regardless of how a member has behaved.

- Investigate whether your association's occupation or profession is eligible for an approved Professional Standards Scheme, given the tangible liability benefit this can offer members.
- Understand the ongoing governance commitment a scheme requires, connecting directly to the accreditation and complaints handling discipline discussed earlier in this series, rather than treating it as a one-time application.
- Confirm members understand the scheme is not unconditional, since it does not cover death or personal injury, breach of trust, fraud or dishonesty, or liability outside the scheme's occupational scope.
- Ensure any approved scheme's insurance and disclosure requirements are built into member compliance monitoring, not treated as a one-time onboarding formality.
- Plan for a replacement scheme well before the current one expires, since schemes run for up to five years and allowing one to lapse removes a tangible benefit members have come to rely on.

A Professional Standards Scheme is not available to every association, and it is not a substitute for the accreditation, complaints, and risk management discipline this series has already recommended regardless of eligibility. For the associations that do qualify, it represents an opportunity to convert existing governance rigour into a concrete, government-recognised benefit that meaningfully distinguishes membership. This is one of the practical governance topics built into our Association CEO course, alongside the papers, tools and frameworks that turn the principle into your board's actual practice. [Explore the course](#)

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BOARDROOM ACTION WORKSHEET

Professional Standards Schemes: A Real Benefit Many Associations Never Explore

Turn the resource into evidence, a decision and an accountable next step. Keep the completed record in your association's approved board records system.

1 What is the issue or decision?

State the governance question in one clear sentence.

2 What evidence do we already have?

Record the facts, source documents and stakeholder evidence available now.

3 What evidence is still needed?

Identify the legal, regulatory, financial, member or operational information still required.

4 What is the agreed next action?

Capture the owner, timeframe and how the matter will return to the board.

Action owner	Review date	Board decision or resolution

General education, not legal, financial, tax, clinical or governance advice. Confirm specifics at the relevant primary source or with your own qualified adviser. Nexus Leadership is operated by Lipstick Consulting Pty Ltd · ABN 15 619 120 482.

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