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Proposal to strengthen insolvency practitioners' independence requirements

Accountants who are insolvency practitioners face strengthened independence requirements under an exposure draft issued today by the Accounting Professional and Ethical Standards Board (APESB).

The exposure draft of the proposed revision of APES 330 *Insolvency Services*, effective from November 2011, will require insolvency practitioners who have an interest in, or an ability to influence a business in the same market as the insolvent company to eliminate this conflict of interest or decline the appointment.

Other significant changes include the introduction of the 'Network Firm' definition which is currently used in APESB's Code of Ethics in relation to auditor independence requirements.

The exposure draft also proposes that insolvency practitioners who have moved firms need to consider relationships that the insolvent entity has had with the previous firm of the practitioner.

APESB Chairman Kate Spargo said that the proposals in the exposure draft would enhance the existing independence requirements in APES 330 *Insolvency Services* which was issued in September 2009.

"Insolvency practitioners have a huge responsibility so it's vital that when a company enters administration or liquidation, the practitioner acts independently, is not biased and all conflicts of interest, past or present, are identified and eliminated," said Ms Spargo.

Another new proposed requirement in the exposure draft is where firms have merged in the past two years, insolvency practitioners must now evaluate insolvent companies' relationships with the firm, previous firms or network firms.

APES 330 follows the revised Insolvency Practitioners Association's *Code of Professional Practice* that was issued in January 2011. The proposals are currently at the exposure draft stage with comments invited by 22nd July, 2011.

Details of how to provide a submission are available on the APESB website www.apesb.org.au

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Notes to Editors: The APESB is an independent body that sets the code of ethics and professional standards by which members of Australia's three professional accounting bodies are required to abide.