

5 April 2019

The Chief Executive Officer
Accounting Professional and Ethical Standards Board
Level 11, 99 William Street
MELBOURNE VIC 3000

Dear Channa

Exposure Draft 04/18 – Proposed Standard: APES 330 Insolvency Services

Further to our submission on Exposure Draft 04/18, dated 25 March 2019, we have received additional feedback from our membership which we believe is relevant to the deliberations of the Accounting Professional and Ethical Standards Board (APESB) on APES 330 Insolvency Services. These comments are made as an addition to, and do not replace, CPA Australia's original submission.

Items for clarification and consideration include:

- Clause 4.6 (c) – is unclear as to whom the Declaration of Independence, Relevant Relationships and Indemnities (DIRRI) is to be provided. For example, is the DIRRI to be given only to the extant Insolvency Practitioner; is it to be tabled at the meeting of creditors; or is it to be mailed to all creditors?
- Clause 4.6 (e) – in addition to advising the basis on which the member proposes to charge their fees (time based, fixed fee etc.) should the member also advise the rates of the Insolvency Practitioner and the rates attracted by their respective staff?
- Clause 4.10 (a) – the reference to preferential payment perhaps should be replaced with voidable transaction. The latter is a wider definition as a preferential payment is a subset of a voidable transaction.

Interests and relationships – general observations.

Some of our members have observed that, increasingly, insolvency practices are forming relationships with financiers, with some practices forming their own finance companies. This is due to a softening insolvency market with current low numbers of formal insolvencies and a contraction in the availability of finance from traditional financiers. Anecdotally, observations include insolvency practitioners accepting appointments from financiers where the relationship is not at arm's length.

While clauses 4.9 to 4.15 address where the member, member's firm or partners have a relationship with the insolvent entity, it is not clear that these clauses extend to a situation where, for example, shares are held in the financier by a close family member of the insolvency practitioner or a close family member of the insolvency practitioner's partners.

If you have any questions regarding this additional information, please contact Josephine Haste CPA, Policy Adviser – Ethics and Professional Standards on +613 9606 9693 or josephine.haste@cpaustralia.com.au.

Yours faithfully,



Dr Gary Pflugrath CPA
Head of Policy and Advocacy