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Insolvency standard demands greater independence

Mandatory new independence requirements that will impact insolvency practitioners working in accountancy firms have been introduced under a revised standard issued today by the Accounting Professional & Ethical Standards Board (APESB).

The standard, *APES 330 Insolvency Services* requires accountants to determine any threats to their independence prior to accepting an insolvency appointment and to complete a declaration covering independence, relevant relationships and indemnities.

Accountants are also now prohibited from accepting insolvency appointments involving referral or recurring commissions or spotters' fees.

APESB Chairperson Kate Spargo said: "The current economic climate has resulted in significant growth in insolvency work and it's important that these services, like all accounting services, are conducted to the highest professional and ethical standards.

"While not commonly seen in the profession, financial incentives such as commissions and spotter's fees have the potential to impact on the proper exercise of accountants' professional judgement.

"Our review of the previous standard governing practice in this area identified that it needed updating and was no longer aligned with the *Code of Ethics for Professional Accountants*.

"The new standard provides additional requirements and guidance and has been completely revised especially in the areas of professional independence and fees.

"The standard also includes a new section governing accountants' obligations when providing expert witness services in the context of insolvency.

"We believe that the new standard will result in an improved standard of insolvency services."

Ms Spargo urged all accounting firms that provide insolvency services to review their processes and procedures in light of the revised standard.

Development of the revised standard was led by the APESB-convened Insolvency Services Taskforce, which included representation from the Insolvency Practitioners Association of Australia. It is effective from 1 April 2010, with early adoption permitted, and will be enforced by the three Australian professional accounting bodies.

The revised standard replaces *APS 7 Statement of Insolvency Standards*, which was issued in 1998.

The revised standard is now available on the APESB website at 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.