



# Media Release

## Senator Alan Eggleston

### Liberal Senator for Western Australia

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#### Corporate insolvency reform imperative: Eggleston

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Western Australian Senator Alan Eggleston said today's release of the Senate Economics References Committee Report into Liquidators and Administrators contains valuable recommendations for amendments in the industry to improve governance practices and oversight of the profession.

Senator Eggleston said the Senate Inquiry was an important step for the insolvency industry in its attempts to eradicate the profession of malpractice and fraudulent activity, with the recent case of former liquidator Stuart Ariff being an important reminder of the need for reform within the industry.

"The most important recommendation in the Report is the proposal to transfer responsibility of insolvency practice from the Australian Securities and Investment Commission (ASIC) to the Insolvency and Trustee Service Australia (ITSA), forming the Australian Insolvency Practitioners Authority (AIPA) in an effort to relieve ASIC of the burden of this responsibility, which is often time and resource intensive," said Senator Eggleston.

"ITSA would then be placed in the Attorney General's portfolio, governed by the Financial Management and Accountability Act, with a Memorandum of Understanding between the two agencies ensuring ASIC provides sufficient resources to provide adequate oversight of the corporate insolvency sector.

"The Committee also recommended the formation of a 'flying squad' which would conduct random audits and investigations of insolvency practitioners, providing continued surveillance of the industry and acting as an effective deterrent against malpractice and misconduct," said Senator Eggleston.

Some of the other key recommendations made in the Report include;

- The establishment of a licensing authority by AIPA, with insolvency practitioners paying a fee for membership, which is to be renewed every three years. AIPA could suspend a license if a practitioner was not adequately insured, or if the practitioner's conduct was of sufficient concern to warrant suspension.
- The necessitation of a practitioner to complete a closed book, written examination as a pre-requisite for gaining a licence, as well as completing the Insolvency Practitioners Association of Australia's Insolvency Education Program at the time of their first licence renewal.
- An amendment to the Corporations Act 2001 so that penalties can be imposed on practitioners who operate without the aforementioned licence.
- The formation of a fidelity fund between the major accountancy bodies (the National Institute of Accountants, CPA Australia and the Institute of Chartered Accountants of Australia) so as to insure creditors from fraudulent practices and wrongdoings.

Senator Eggleston said that the Inquiry, (which was instigated by Senator John Williams in December 2009), provided vital insight into the issues facing the insolvency industry and ways in which the profession could be better administered so as to improve fairness, accountability and industry structure.