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The Secretary
 Parliamentary Joint Committee on Corporations and Financial Services
 Room SG.64, Parliament House
 CANBERRA ACT 2600.



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Dear Secretary

INQUIRY INTO AUSTRALIA'S INSOLVENCY LAWS

SUPPLEMENTARY SUBMISSION TO THE PARLIAMENTARY JOINT COMMITTEE ON CORPORATIONS AND FINANCIAL SERVICES

Thank you for the recent opportunity to address the Committee. I wish to make the following supplementary submission to the Committee.

Independence of external administrators

I continue to support the incorporation of a code of ethics for insolvency practitioners into the Corporations Regulations.

However, since my submission the Report of the HIH Royal Commission¹ has been released by the Government. I consider that Recommendation 9 contained in the Report relating to a defined standard of independence for auditors should also be applied to external administrators. Recommendation 9 is reproduced below for your information.

Recommendation 9

I recommend that all standards of independence of auditors in Australia, including those contained in legislation and professional standards such as Professional Statement F1, be consistent with the standard of independence defined as follows:

- An auditor is not independent with respect to an audit client if the auditor might be impaired—or a reasonable person with full knowledge of all relevant facts and circumstances might apprehend that the auditor might be impaired—in the auditor's exercise of objective and impartial judgment on all matters arising out of the auditor's engagement.

¹ HIH Royal Commission 2003, *The Failure of HIH Insurance*, Final Report (Justice Neville Owen, Commissioner), National Capital Printing and Canberra Publishing and Printing, Canberra

A reference to an auditor includes both an individual auditor and an audit firm. In determining whether an auditor or an audit firm is independent, all relevant circumstances should be considered, including all pre-existing relationships between the auditor, the audit firm and the audit client, including its management and directors.

Yours faithfully



DAVID J KERR
Partner