

Exposure Draft on Background Guidance on Quality Control by Insolvency Professionals, for Comments by IPs, Others as per Study Group Recommendations

The objective of Insolvency and Bankruptcy Code 2016 (IBC), as an economic beneficial legislation is to provide effective legal framework for resolution of distressed businesses by reorganising such businesses. IBC's first order objective is rescuing a company in distress and liquidation can be viewed only as the last resort. The second-order objective is maximizing value of assets of the company and the third-order objective is promoting entrepreneurship, availability of credit and balancing the interests of all stakeholders. Insolvency professional (IP), in the capacity of resolution professional (RP) or Liquidator is one of the key pillars as envisaged under IBC, for achieving the said objectives. The legal framework under IBC requires an IPs to establish fair and transparent conduct of insolvency resolution process, casting upon an IP, many duties and responsibilities. Therefore, it is of paramount importance for an IP, to observe and maintain high standards of quality in connection with any professional assignment. Such approach shall enthuse confidence in other stakeholders about IP's services on one hand and support IP to face any regulatory or legal challenge, on the other.

Indian Institute of Insolvency Professionals of ICAI's (IIPI) bye-laws provide that shall maintain high ethical and professional standards in the regulation of its professional members. Further, it shall continuously improve upon its internal regulations and guidelines to ensure that high standards of professional and ethical conduct are maintained by its professional members.

IIPI had recently constituted a study group comprising experienced insolvency professionals, under the chairmanship of Sh. Subodh Agrawal, IP and Former President, ICAI. The study group has prepared the draft of background guidance note on quality control by IPs. The key highlights of the proposed background guidance note are as follows:

1. The purpose of this Background Guidance on Quality Control is to help IPs in maintaining and enhancing quality of their services while discharging responsibilities in relation to the professional assignments under IBC and related activities thereto.
2. The said guidance is non-mandatory in nature and does not carry authority and views of IIPI.
3. This guidance on qualitative policies and procedures has been aligned with the national/ international standards on quality control for professional accountants.
4. Guidance has been provided for an IP while designing a system of quality control to provide reasonable assurance that the IP and its personnel comply with professional standards, best practices, regulatory and legal requirements, and that action taken are appropriate in the circumstances.
5. Thus, guidance has been provided to have a system of quality control comprising appropriate policies and procedures on:
 - Leadership responsibilities for quality.
 - Ethical requirements.
 - Human and technological resources.
 - Engagement performance.
 - Monitoring.

IIPI has exposed the said draft of background guidance on Quality Control by IPs, for comments by IPs and others for a period of 15 days that is, from January 31st to February 15th, 2022.

The downloadable version of the Exposure Draft is available at:

<https://www.iiipicai.in/wp-content/uploads/2022/01/Draft-Background-Guidance-on-Quality-Control-by-Insolvency-Professionals.pdf>

How to comment

Comments on the abovementioned Exposure Draft, section-wise as well as general in nature, maybe submitted electronically to be received not later than February 14th, 2022, 5 pm (IST), by clicking on the following survey-page link:

<https://forms.office.com/Pages/ResponsePage.aspx?id=DOHF0zhjoU6NJ-01tggEOn5xP4Zp9hBLowHNIS-SLflUMzUxMVcySIFSTVQzNkVVSkZLWIJINUIFTi4u>

Thanks and Regards,

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