

## ***Information for Creditors on Remuneration and Costs in Insolvency Administrations.***

### **(Initial Remuneration Notice)**

The Code of Professional Practice published by the Insolvency Practitioners Association, and schedule 4A of the **Bankruptcy Regulations 1996**, require us to provide creditors with information relating to the nature of the work performed, the level and experience of staff and the hourly rates applicable.

There are a number of different methods<sup>1</sup> that may be used to calculate the remuneration of an insolvency practitioner, including a trustee in bankruptcy, a company administrator and a company liquidator.

In insolvency administrations, this firm normally seeks to be remunerated on the basis of an hourly rate for the staff engaged in the administration. I believe this method to be the most appropriate as it best reflects a commercial charge for the various levels of expertise to be applied and is consistent with the charging methodology adopted by my firm for other professional services.

Further information about the rates charged, and the qualifications and experience of staff engaged in insolvency work appear later in this information sheet.

A detailed estimate of the work expected to be undertaken in a particular administration is provided to creditors in Remuneration Approval Requests, while a detailed explanation of the work actually done is in Advices of Remuneration Claimed.

---

<sup>1</sup> The different methods that can be used to calculate remuneration are:

- i. Time based or hourly rates – the total fee charged is based on the hourly rate charged for each person who carried out the work multiplied by the number of hours spent by each person on each of the tasks performed.
- ii. Fixed fee – the total fee charged is normally quoted at the commencement of the administration and is the total cost for the administration.
- iii. Commission – the total fee is based on a percentage rate of moneys received. For administrations under the **Bankruptcy Act**, the rates are prescribed in **Bankruptcy Regulation 8.07**.
- iv. For administrations under the **Bankruptcy Act**, if the total remuneration of the trustee is less than \$5,000, the trustee may claim that amount without creditor approval. (section 161B of the **Bankruptcy Act** refers)





**Type of work undertaken by the Appointee and the Firm's staff in an insolvency administration.**

Work undertaken in an insolvency administration can be divided into the following categories:

<b>Category</b>	<b>Description of work undertaken</b>
<b>Statutory &amp; General</b>	Work undertaken in this category includes: <ul style="list-style-type: none"><li>• Case planning</li><li>• Administrative set-up</li><li>• Appointment notification</li><li>• Maintenance of records</li><li>• Statutory reporting</li></ul>
<b>Assets &amp; Realisations</b>	Work undertaken in this category includes: <ul style="list-style-type: none"><li>• Identifying, securing and insuring assets</li><li>• Retention of title</li><li>• Debt collection</li><li>• Property, business and asset sales</li><li>• Investigating antecedent transactions</li></ul>
<b>Creditors</b>	Work undertaken in this category includes: <ul style="list-style-type: none"><li>• Communications with creditors</li><li>• Creditors' claims (including employees' claims and other preferential creditors)</li><li>• Meetings of creditors</li><li>• Payment of dividends</li></ul>
<b>Director/Debtor</b>	Work undertaken in this category includes: <ul style="list-style-type: none"><li>• Communication with the directors or other officeholders (in the case of a corporate administration) or the debtor (in the case of a personal insolvency administration)</li></ul>
<b>Trade On</b>	Work undertaken in this category includes: <ul style="list-style-type: none"><li>• Management of operations</li><li>• Accounting for trading</li><li>• On-going employee issues</li></ul>

In some cases, there may be additional activities that it is appropriate to identify separately. Creditors will be advised of the additional activities in these circumstances. A more detailed breakdown of the work anticipated will be provided for each administration, in a Remuneration Approval Request.





### Estimated breakdown of the broad activity phases

The broad activity phases in any administration can be divided into the following categories:

Phase	Duration	Type of work undertaken
Initial inquiries	approximately four weeks	Advise statutory authorities of appointment, advertise where required, preliminary inquiries to determine extent of assets and liabilities, obtain report as to affairs (or statement of affairs) from debtor (or representative), action to protect those assets identified (including insurance and appraisal).
Administration	variable depending on complexity of administration and extent of available assets	Statutory investigation and reporting, sale of assets where equity exists, determination of any retention of title claims, payment of dividends where sufficient funds are available to do so, convening and holding of statutory meetings, reporting to creditors generally.
Finalisation		Final report to creditors, advise statutory authorities of finalisation of administration and convening and holding of final meeting of creditors where required.

### Relevant experience of each person

#### Robert Tenbenschel

Mr Tenbenschel is a fellow of both the Institute of Chartered Accountants in Australia and CPA Australia, and is a member of the Insolvency Practitioners Association of Australia. He has been a registered trustee in bankruptcy and a liquidator since February 1988 and an official liquidator since October 1990. He has been involved in insolvency administrations since January 1981.

#### Kristin Rees

Miss Rees is a member of CPA Australia and the Insolvency Practitioners Association of Australia. She has been involved in the administration of bankrupt estates since April 1986 and in other insolvency administrations since July 1996.





## Other Staff

The above are assisted by staff employed by the firm. These members of staff perform general and specialised functions.

### Hourly rates charged and typical experience for each employee classification

Our hourly rates are revised regularly. The following rates apply from 1 August 2011 and will apply to work done after this date, unless creditors have resolved that different rates will apply in a particular administration. The table also includes a general guide showing the qualifications and experience of staff engaged in the administration and the role they play.

<b>Description</b>	<b>Experience</b>	<b>Hourly Rate charged (GST exclusive)</b>	<b>Hourly Rate charged (GST inclusive)</b>
Principal Appointee	Registered Liquidator and/or trustee, Partner bringing his or her specialist skills to the administration or insolvency task.	\$450.00	\$495.00
Manager	Experienced accountant with well-developed technical and commercial skills and a minimum of 5 years experience.	\$300.00	\$330.00
Investigative Accountant	At least one years insolvency experience; assists in planning and control of larger or more complex jobs and may control fieldwork in less complex jobs under direction of a manager or appointee.	\$160.00	\$176.00
Senior	Required to control the fieldwork on small jobs and is responsible for assisting with fieldwork on medium to large jobs.	\$140.00	\$154.00
Case Officer	Required to assist in day-to-day administration under supervision of more senior staff.	\$130.00	\$143.00
Administration Officer 2	Appropriate skills	\$100.00	\$110.00





### **Bills for work done during an administration**

**Bills rendered for the administration will show the number of hours charged for each employee classification and the hourly rate charged, together with applicable disbursements.**

**Disbursements can be divided into three types: A, B1, B2.**

**Type A disbursements are all externally provided professional services. These are recovered at cost. An example of a type A disbursement is legal fees.**

**Type B1 disbursements are externally provided non-professional costs such as travel, accommodation and search fees. Type B1 disbursements are recovered at cost.**

**Type B2 disbursements are internally provided non-professional costs such as photocopying, printing, telephone calls and document storage. Type B2 disbursements are charged at cost except for photocopying, printing and telephone calls which can be charged at a rate which is intended to recoup both variable and fixed costs.**

**Our remuneration and disbursements are generally subject to the Goods and Services Tax. The amount of GST included in the bill is shown as a separate item.**

