

# Forensic and Investigation Services

## Audit and accounting negligence services for Insolvency Practitioners

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# Our approach

We can assist in maximising recovery for creditors by:

- identifying opportunities for bringing an action against auditors/accountant advisors
- assessing the merits of bringing such an action; and/or
- acting as expert witness in the circumstances that an action is brought against auditors/accountant advisors

We have considerable experience of investigating audit negligence allegations on behalf of regulatory and professional discipline bodies.

We have first hand experience of the investigation and assessment of potential audit and accounting negligence actions and we have a former Regulator on our team.

We have considerable experience of acting as expert witnesses in matters of audit and accounting negligence.

We recognise the need for separation between investigation and expert roles. In recent cases we have used partners from outside the forensic practice to act as experts in cases involving insolvent companies and "pre-pack" administrations.

We recognise that specific knowledge of industries, sectors and markets is vital to the investigation and assessment of audit and accounting negligence actions. Grant Thornton UK through the worldwide affiliation, Grant Thornton International, has access to in excess of 2,600 partners in 100 countries who can provide specific market and sector experience. As a result, whilst acting primarily on matters in the UK, we have also been able to assist IPs and other clients in a number of locations, including Hong Kong, Singapore and China.

Our approach is to identify the best qualified investigator/expert for the matter in hand, and provide this person with a full and experienced forensic investigation team as support. In this way, we ensure real subject matter expertise combined with a team fully conversant with litigation support and court room skills.

# Our experience

## Highlights

Frank Attwood recently acted as a liability expert for the liquidators of a collapsed HK-listed international electronics company, Akai Holdings Limited, in respect of the audit negligence of its former auditors, Ernst & Young. This notable case resulted in a substantial settlement by the former auditors, reportedly in excess of US\$400 million.

We assisted the liquidators of an international metals trader in a claim against its auditors following the collapse of the company as a result of management fraud, resulting in a consortium of banks being owed in excess of US\$350 million. Our investigations centred on the control of supposedly independent trading counterparties and the extent of amounts owed.

We are currently assisting the winding-up committee of an Icelandic bank in identifying whether there are any causes of action for bringing claims against its former advisors and auditors.

# Our experience

## Typical features

In our experience, whether engaged by defence or prosecution teams, audit and accounting negligence matters typically require consideration of the following issues:

- Extent of auditors' liability to creditors, lenders and other third parties
- Contributory negligence
- Management/Director fraud
- High growth business
- Complex group structures
- Related party transactions
- Consideration of the losses caused by alleged negligence
- Commercial reality vs. prescriptive standards

Allegations of audit negligence may be connected to some or all of the following matters:

- Valuation of assets
- Valuation of liabilities
- Auditor scepticism
- Planning and risk assessment
- Understanding the business
- Reliance on management representations
- Unusual book entries

Our experience enables us to run seminars and technical sessions on topical issues including the results of major litigation such as *Stone & Rolls v Moore Stephens* and *The auditing consequences of fraud*.

If this is of interest please contact Sarah-Jane Pyne (see pg 8).

# Examples of our relevant experience

Type	Comments
Acting for the AADB	We provided investigative accounting assistance to the AADB in its investigation of the audits of the collapsed travel group, XL Leisure.
Acting for the AADB	We are currently providing expert witness support to the AADB in its investigation of certain matters concerning Langbar International Limited.
Acting for the JDS	We assisted the JDS in its investigation of the audits of the casino operator, Capital Corporation plc. We provided expert witness support in the Tribunal against the audit engagement partner, Steve Ives, who was found to have defrauded his firm by taking a motor vehicle from the audit client in lieu of payment of fees, and his accountant, who had assisted him in covering up this matter. We also provided expert witness support in a separate Tribunal hearing complaints that the audit firm failed to deal appropriately with this matter.
Acting in the defence of a "Big 4" firm	We assisted Deloitte Singapore in its defence of claims in the High Court in relation to its audits of Barings Futures Singapore, and, specifically, its failure to identify the activities of Nick Leeson. We also assisted the audit engagement partner in his defence of complaints brought by the Inquiry Committee of the Public Accountants Board of Singapore regarding the conduct of the audits. All complaints in this case were dismissed.
Acting for the JDS	We provided investigating accounting support and acted as expert on the investigation by the Joint Disciplinary Scheme into Equitable Life.
Acting for the liquidators	We assisted the liquidators of a bottled gas supplier in bringing a claim against its auditors for failure to identify a significant management fraud. The action resulted in a substantial financial settlement by the auditors.
Acting for insurer	We conducted a review of the Cyprus member firm of an international affiliation of accountants on behalf of its PI insurers. Claims had arisen from the firm's audit of an SEC registered Cypriot company trading from the Netherlands and the insurer was seeking to void the policy because of alleged recklessness on the part of the auditors.
Acting for HMG	Expert for Her Majesty's Government in a US action against the auditors of DeLorean Motor Company following alleged frauds.
Independent expert	Appointed by UK Courts as expert to settle accounting issues between major German reinsurance company and French insurance agency.
Acting for the liquidators	We assisted the liquidators of an international metals trader in a claim against its auditors following the collapse of the company as a result of management fraud, resulting in a consortium of banks being owed in excess of US\$350 million. Our investigations centred on the control of supposedly independent trading counterparties and the extent of amounts owed.

# Examples of our relevant experience

## continued

Type	Comments
Acting for the liquidators	We recently assisted the liability expert acting on behalf of the liquidators of a collapsed HK-listed international electronics company, Akai Holdings Limited, in respect of the audit negligence of its former auditors. The matter resulted in a substantial settlement by the former auditors reportedly in excess of US\$400 million.
Acting for the claimant	Auditing expert in 10 cases against auditors of Lloyd's long tail syndicates. The first of these cases, the Merrett syndicates, involved the giving of expert testimony in the High Court and resulted in a favourable judgment for our clients.
Acting for the DTI	Appointed on behalf of the DTI in relation to an Accountants' Report in a prospectus.
Acting for the claimant	Acting as audit and quantum advisor in relation to potential professional indemnity cases following the acquisition of a London Syndicate by a major Australian insurer.
Acting for the claimant	Investigated potential claims against advisors and directors following takeover of a public company.
Acting for the claimant	Accounting and auditing expert in claim against auditors of a hedge fund which lost substantial sums due to fraud.
Acting for the claimant	Expert accountancy work in connection with a large potential claim against the auditors of a Hong Kong listed company in the foods and retail sectors.
Acting for the DTI	Assisting Inspectors on S432 Inquiry into the demise of TransTec plc, a UK -listed company, with particular reference to the role of the auditors and corporate finance advisers.

# The team

## Partners



**Hossein Hamedani**  
**Partner**

Hossein is the Client Service Partner in the Forensic and Investigation Services department, with experience of expert witness and dispute advisory cases in commercial disputes, arbitrations, mediations, expert determinations, High Court actions, investigations and regulatory inquiries.

His experience includes acting as expert on quantum issues following a dispute arising from the alleged negligence against a firm of solicitors advising on a sale and purchase contract in relation to a hi-tech data transmission/communications company. He also acted as audit and quantum advisor in relation to potential professional indemnity cases following the acquisition of a London Syndicate by a major Australian insurer. He advised on potential accounting and auditing claims and resolution of disputes in relation to two reinsurance companies in run off (Pan Atlantic and UIC). He also acted as accounting and auditing expert in claim against auditors of a hedge fund which lost substantial sums due to fraud. He has also led the investigation and defence of two firms of solicitors against a multi-million pound claim following the collapse of a bank due to fraud.



**Steve Cornmell**  
**Partner**

Steve is the Managing Partner of the Forensic and Investigation Services team at Grant Thornton UK. He is responsible for fraud investigation work across the firm and has a wide range of experience of commercial litigation and disputes. Steve has acted as expert in a number of cases and has provided evidence in court in criminal and commercial cases, international arbitrations and disciplinary hearings brought by professional bodies.

Steve's experience of investigating accounting and audit irregularity and breakdown includes Acting for the Joint Disciplinary Scheme in its investigation of Capital Corporation plc. Steve provided expert evidence at the subsequent tribunal hearing brought against the audit engagement partner and his personal accountant. He assisted the liquidators of the international metals trader in its investigation of the audits undertaken by a global accounting firm prior to the company's collapse. The matter was settled at mediation with the auditors making a payment to the liquidators. He has also led the investigation on behalf of the insurers of an international affiliation of accountants in relation to concerns that the auditors of a Cyprus-based SEC registered company may have colluded in a fraud perpetrated by its senior management. Steve's work led to the insurers voiding the policy cover due to the recklessness of the local audit firm. He also assisted the audit expert in the defence of Deloitte Singapore in the negligence claim arising from the collapse of Barings Bank.



**Chris Clements**  
**Partner**

Chris is a Partner in Grant Thornton's Forensic and Investigation Services team with experience of claims of up to £2bn. He is a Fellow of the Institute of Chartered Accountants in England and Wales and holds a Joint Honours Bachelor of Arts degree from Durham University. He is a trained mediator and member of The Expert Witness Institute, Academy of Experts, and Chartered Institute of Arbitrators.

Recent professional negligence claim work includes:

- Accountants - advising US lawyers on an alleged audit negligence action against the auditors of a UK public company with substantial American interests.
- Accountants - expert opinion on whether an accountant had provided flawed investment advice which resulted in the local authority investing several million pounds into a high risk private sector venture.
- Accountants - expert opinion on an SAR auditor who failed to spot a fraud.
- Bank - action against bank for negligent advice on the purchase of a business.
- Veterinarian - claimant alleged that defective veterinary negligence had resulted in a multi million pound loss of business.

## The team



**Hugh Simons**  
**Director**

Hugh is a director in the forensic and investigation services division. He has specialised in forensic accountancy since 1995 and became a director of forensic services in Robson Rhodes in 2003, with whom Grant Thornton subsequently merged. Prior to specialising in forensic, Hugh worked in corporate finance and transactions support.

Hugh recently acted as the principal assistant to the liability expert in respect of the audit negligence of the former auditors of a collapsed HK-listed international electronics company, Akai Holdings Ltd. This matter resulted in a substantial settlement being made by Ernst & Young.

Hugh has experience of a range of audit negligence and investigations matters, including assisting Inspectors on S432 Inquiry into the demise of TransTec plc, a UK-listed company, with particular reference to the role of the auditors and corporate finance advisers.

Hugh also acted as expert for the defendants in the TadAz aluminium matter, which was the largest case in the High Court in 2009.



**Sarah-Jane Pyne**  
**Associate Director**

Sarah-Jane has concentrated on forensic work since 2002, principally on large and complex assignments in connection with major commercial litigation and regulation in the UK and overseas.

She prepared an expert report on the conduct of Ernst & Young Hong Kong as auditors to the Akai group in connection with the largest bankruptcy in Hong Kong. She also reported on the alleged accounting irregularities and losses suffered by a UK PLC in connection with its acquisition of a container shipping company, which involved the preparation of an expert report on the conduct of a Big 4 accountancy firm who were both auditors and advisers to the company.

She also conducted a lengthy investigation into the alleged accounting irregularities in connection with certain pension liabilities reported in the financial statements of a major UK life insurer, and the conduct of the audit thereon. This was for the purposes of providing expert assistance to the Accountants' Regulator in connection with a disciplinary tribunal concerning the former auditors of the life insurer.

## The team



**Tim Slater**  
**Associate Director**

Tim joined Grant Thornton in 1998 after qualifying as a Chartered Accountant and moved into the forensic department in 2001. Tim has worked on preparing an audit negligence claim following a major international fraud. This involved a review of the auditor's working papers relating to a number of years and a detailed analysis, by reference to published auditing standards, of the shortcomings in the auditor's work.

He assisted the Accountants' Joint Disciplinary Scheme in an investigation into an alleged audit failure, including both interviewing witnesses himself and preparing questions to be put to the audit partners.

He has recently assisted an expert witness from Grant Thornton acting in front of a foreign court on behalf of a "big four" audit firm accused of negligence in a multi-million Euro case.

Tim's role within the forensic practice of Grant Thornton includes responsibility for systems and risk management. In this context he acts as a reference point for technical queries within the practice



**Ralph Chatfield**  
**Associate Director**

Ralph qualified as a Chartered Accountant with RSM Robson Rhodes in 1990 and has specialised in forensic accounting and financial investigations since then. Career highlights include leading a team on assignment to the United Nations Compensation Commission (UNCC) and two Serious Fraud Office assignments.

Ralph's experience of accountant and auditor negligence claims includes Acting for the claimant in an accountancy and audit negligence action in the education sector and acting for a Big 4 accounting firm accused of negligence in relation to its audits of an auctioneer business. His investigation experience includes major assignments for the SFO and Section 105 Inspectorates for, what is now, the FSA.

## The team

### Consultants



#### David Spence

David is currently a Consultant to Grant Thornton UK. Until June 2006, he was a senior partner in Grant Thornton's Forensic and Investigation Services practice, which he joined on a full time basis at the start of 2002. David chaired the UK Chartered Accountants Joint Ethics Committee from 1995 to 1997 and in this role he joined the IFAC Ethics Committee which was at that time addressing auditor independence and other current issues. He served as President of the Institute of Chartered Accountants of Scotland between 1998 and 1999. David was a member of the UK Auditing Practices Board in 1998 and 1999.

David's experience includes providing written and oral evidence as an Expert Witness, in the High Court in London in the audit negligence action arising from the collapse of Barings. He also gave written and oral evidence, and was cross examined, as an Expert Witness before the Singapore Public Accounts Board in connection with the Barings collapse. He gave written and oral evidence to the China Securities Regulatory Commission (CSRC) in Beijing in relation to the application of International Audit Standards to audits in The Peoples Republic of China (PRC). He gave written and oral evidence in the High Court in a major auditor negligence claim following the discovery of a fraud in a UK company acquired by a German purchaser.



#### Frank Attwood

Frank is currently a Consultant to Grant Thornton UK. He is a former partner in RSM Robson Rhodes and has more than 25 years experience as audit partner, expert witness and non-executive director for insurance and reinsurance entities. His professional roles have included Deputy Chair of the International Ethics Standards Board for Accountants, past member of the DTI Company Law Reform Working Group on Accounting and Reporting, and former auditor of Institute of Chartered Accountants in England and Wales.

Frank's audit and accounting negligence experience includes acting as auditing expert in professional indemnity claim in Hong Kong relating to the collapse of the Akai electronics group, and expert for Her Majesty's Government in a US action against the auditors of DeLorean Motor Company following alleged frauds. He has been an expert or advisor in relation to auditing and accounting matters, including in relation to insurance matters R+V, HHH, Equitable Life, Independent, and Bermuda Fire and Marine, which have involved reserving and accounting issues in a variety of jurisdictions.



#### Chris Dickson

Chris is currently a consultant to Grant Thornton UK. Previously, he was Executive Counsel to the Accountants' Joint Disciplinary Scheme ("JDS"), the former Regulator of chartered accountants in the UK, from 1997 until its closure on 30 June 2010. In this role, he investigated cases of misconduct arising from the work of both auditors and accountants, which had given rise to public concern; and where the evidence warranted it, brought proceedings before Disciplinary Tribunals.

Chris also brings to the team, his considerable and related experience of fraud investigations, since he was a former Senior Assistant Director at the Serious Fraud Office where his previous cases include leading the investigation into BCCI.

# Our global reach



## Grant Thornton UK LLP\*

- 5<sup>th</sup> largest accountancy firm in the UK
- UK member firm of Grant Thornton International
- established in 1904
- 28 offices nationwide
- service 25,000 individuals and 15,000 corporates
- comprises 235 partners and over 4,000 staff
- combined annual fee income of £378 million

## Grant Thornton International

- affiliated member firms in 100 countries
- 500 offices worldwide
- over 30,000 employees
- total member firm revenue in 2009 was US\$3.6 billion

\* Grant Thornton UK LLP is the UK member of Grant Thornton International, one of the world's leading international organisations of independently owned and managed accounting and consulting firms. Although Grant Thornton International is not a worldwide partnership, the firms share a commitment to providing the same high quality service to their clients wherever they do business.

# Forensic and Investigation Services across the globe

Member and correspondent firms in 37 countries and territories are authorised by Grant Thornton International to undertake Forensic & investigation assignments

## Europe, Middle East and Africa (17)

Austria	Israel	South Africa
Denmark	Italy	Spain
France	Latvia	Sweden
Germany	Norway	UAE
Iceland	Oman	UK
Ireland	Poland	

## Asia Pacific (17)

Australia	Malaysia
Brunei	New Zealand
Mainland China	Pakistan
Guam	Philippines
Hong Kong	Singapore
India	Taiwan
Indonesia	Thailand
Japan	Vietnam
Korea	

## Americas (3)

Argentina
Canada
United States





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