

pensions, nuclear decommissioning costs and clinical negligence claims.

Financial statements provide useful information that can be used to support financial decision-making, in addition to measuring progress against previous plans, budgets and market expectations. For example, the reported liabilities of £1.2trn for employee pension obligations included in the balance sheet give a measure for monitoring the scale of the government's obligations. They also offer the potential for improved transparency about how the government intends to fund payment of these obligations over the coming decades.

Implementation is still in its early stages, writes Wheatcroft, with the government taking 15 months to produce the latest available *Whole of Government Accounts*, covering the fiscal year ended 31 March 2013. The government plans to reduce this to 12 months for 2013/14 and to nine months for 2014/15.

In 2012/13, the accounting deficit of £179bn was £94bn more than the current deficit of £85bn reported in the national accounts. The main differences were £49bn in higher charges for pensions, £35bn from the accounting for assets and £16bn for nuclear decommissioning, clinical negligence and other obligations.

The balance sheet at 31 March 2013 reported total assets of £1.3trn, which included property, plant and equipment of £700bn. Liabilities of £2.9trn included £1.2trn for net pension obligations, £1.3bn in government debt and bank

“How does the government plan to address an accounting deficit of almost 30% of total revenue?”

deposits and £400bn in other liabilities. Net liabilities of £1.6trn were higher than the public sector net debt of £1.2trn reported at the time, despite the inclusion in the balance of the substantial assets controlled by the government.

So as can be seen, the *Whole of Government Accounts* compiled so far provoke some significant questions. How does the government plan to address an accounting deficit of almost 30% of total revenue? How will long-term public sector pension obligations and nuclear decommissioning costs be funded?

**BENEFITS OF USING FINANCIAL ACCOUNTING**

The next stage, which is to embed financial accounting into the government's financial processes and systems, making it the primary method of measuring financial performance within the public sector, should provide further benefits in ensuring the wider ramifications of financial decisions are captured into budgets, plans and other financial reports used for making decisions at all levels of government, writes Wheatcroft.

The greater use of financial accounting will enable the UK and other governments to benefit from the developments in accounting and financial reporting processes, systems, financial analysis techniques

and skills in the private sector, rather than the specialised public finance reporting systems within the national accounts and its international equivalents. The 200 or so national governments involved in accounting in this way compare with millions of companies and other organisations around the world that use IFRS or similar financial reporting frameworks as a basis for their accounting and financial reporting.

**CREATIVE ACCOUNTING; NO THANKS**

One of the most significant developments in accounting in the private sector over the past few decades has been in restricting the ability of companies and other preparers of financial statements from adopting financial engineering techniques to manipulate their reported financial performance and position, for example by moving liabilities off balance sheet.

Robust financial accounting in accordance with independently established accounting standards, such as that now applied in the private sector, could potentially have prevented the criticism of successive governments in the UK for leaving both Network Rail and PFI contracts off-balance sheet within the national accounts. This would not have been possible if they had been required to use financial statements complying

with accounting standards as the primary method of measuring their financial position over that time.

**MORE TRANSPARENCY AND ACCOUNTABILITY**

Listed companies, as we all know, are required to provide regular financial reports to investors on their financial performances under rules established by legislators and regulators to ensure the accountability of management teams to the owners of the businesses that they run.

They report on their financial performance at least twice a year, with some reporting quarterly, and will also typically hold in-depth sessions with investors and financial analysts on their strategy and financial performance. Internally management teams will report to their boards and audit committees (and regulators where appropriate) on their budgets, forecasts and long-term financial plans.

As the government accelerates the production of the *Whole of Government Accounts*, it will increasingly be able to provide similar briefings on its financial performance and position both to parliament and to the public, improving transparency and strengthening their ability to hold the government to account, says Wheatcroft.

“We look forward to the day, in the not too distant future, that it will be possible for the Budget to be presented on a financial accounting basis and for there to be an end of year financial presentation by the chancellor to the public on the *Whole of Government Accounts*.” ■

# RNF Business Advisory: at the double

Filippa Connor and Ruth Duncan tell Xenia Taliotis why they set up their insolvency practice at a time when insolvency levels were falling – and why the risk has since paid off with dividends

**F**ilippa Connor and Ruth Duncan set up their specialist insolvency practice RNF Business Advisory in December 2013, at a time when insolvency levels were falling. Between 2011 and 2014 the number of company liquidations fell from 1,216 to 979; creditors' voluntary liquidations from 3,034 to 2,501; receiverships from 374 to 171; administrations from 673 to 421; and company voluntary arrangements from 206 to 142.

Entering the market just as other insolvency practices were shutting up shop and rebranding may seem unwise but, says Connor, "we read the situation differently. We saw that the UK economy was picking up and felt confident this would, before too long, result in the closure of countless companies that are barely solvent.

"There are so many businesses that are waiting to let go and declare themselves insolvent. Right now, no one can get credit so no one can move on. Businesses that have, to all intents and purposes, failed are being kept on life-support by directors' personal credit and incredibly low interest rates."

Once that situation changes, adds Duncan, the zombie companies will be allowed to die, particularly if market values increase, because this

will motivate creditors to petition for liquidation.

"Companies that should have ceased trading long ago are being propped up by banks that are hoping to achieve returns. But this is not sustainable in the long term. All it's doing is freezing liquidity and putting many people under enormous stress. Keeping businesses in limbo is causing a lot of misery and is none too healthy for the economy, either. The sooner that ends the better."

Connor and Duncan are two of very few female insolvency practitioners in England and Wales. Of 2,000 IPs, fewer than 20% are women. In fact, they made the headlines in the profession when they set up for being the only all-female business recovery practice. That's still true on an operational level, though they now have a male external chairman who acts as mentor to ensure that the business stays on track while it grows.

Not that they need much mentoring: between them they have more than 40 years' experience of working in the sector - Connor as a partner at P&A Partnership and joint owner of B&C Associates, and Duncan at, among others, Smith & Williamson, Grant Thornton and Baker Tilly. She is vice chairman of the finance committee of the Insolvency Practitioners Association and also sits on its council.

RNF has two offices, its headquarters in Maidstone and a smaller hub in London, and operates as two limited companies - RNF Business Advisory and RNF Debt Advisory. The joint-company structure enables them to take advantage of the VAT exemption applicable to voluntary arrangement work by channeling that business through RNF Debt Advisory; this in turn offers a better rate of return for creditors who also benefit from the VAT exemption.

The firm currently employs four other full-time staff, but also calls in part-time help when needed. All staff receive ongoing training, whether they're on the administrative or professional side. "Our industry is very fast moving so everyone has to keep up to speed," says Duncan.

"Training is offered to all staff and it's in our interest as well as theirs to help them reach their potential. Our PA, for instance, will soon be starting a project management course, which will be of great help to us as we expand."

Even with the wane in insolvencies, RNF saw a turnover of £1m in its first year and is predicting growth of between 30% and 40% for 2014-2015. Their plans for the future also include outsourcing the back office work to India, which offers the same expertise for a fraction of the

"Networking is the lifeblood of a firm like ours"

## STRAIGHT TALKING

The firm has drawn up a customer charter that promises to "understand" its clients' problems and "provide them with solutions so they can put their debt problems behind them". Client testimonials support this, with the firm being commended for its straightforward and direct approach. Here's what one anonymous business owner has to say: "RNF's communication with all interested parties was superb, clear and prompt. Ruth and her team liaised with our creditors, notably HMRC, board of directors and our shareholders and managed from the whole process sensitively. The outcome was an acceptable company voluntary arrangement."



RNF Business Advisory is the UK's only all-female insolvency practice



Founded in December 2013



Offices in Maidstone and London



RNF operates as two limited companies – RNF Business Advisory and RNF Debt Advisory



Turnover for first year of trading: £1m



Expected growth for 2014-2015 is between 30% and 40%



Work is 45% corporate insolvency, 30% personal insolvency, 15% solvent liquidations and 10% consulting

ILLUSTRATION: ARON VELLEKOOP LEON

cost, and are “spending big” on IT to ensure they have the necessary infrastructure to make the process seamless.

Business comes from referrals from accountants, direct from companies in trouble and from official receivers. Networking is key to their growth so they are active on the conference circuit and on social media. “Networking is the lifeblood of a firm like ours,” says Connor.

“Our colleagues can’t make shot-in-the-dark recommendations - they need to know they can trust the people they’re recommending, because their reputation rests on the outcome of that referral.

“We do a lot of networking, which, incidentally, is how we met. It’s something no amount of tweeting or online presence can replace. We’re also planning more seminars this year, so should see our revenue stream from those increase.”

RNF’s work is 45% corporate insolvency, 30% personal insolvency, 15% solvent liquidations and 10% consulting, and the companies they act for are anything from one-man concerns to businesses with hundreds of employees. The work involved is just as varied:

“We handle every aspect of closing down a business,” says Connor, “including securing the premises, selling the assets, clearing the site and disposing of all waste

properly, dealing with the redundancies and advising employees of their rights and liaising with creditors.”

Only once all this is done can they expect to be paid. Though business recovery firms are near the front of the queue when it comes to receiving payment, they typically only get paid for between 50% and 60% of their time costs. That’s why, Connor says, the proposed changes to how IPs are paid - which could force them to base their fees on a percentage of realisations and distributions - presents a perennial problem. “The issues surrounding IP fees have been discussed for as long as IPs have existed.

“The latest proposal from government is that our fees will continue to be based on time costs, but we’ll need to provide an upfront estimate and our fees will be capped at that.

“While we understand the concerns creditors have about our fees - because they impact on the dividend level that’s paid back to them - there is a misapprehension about our work and the risks involved, which include personal liability that’s not present in virtually any other field of business.”

Connor adds that fees are a fraught issue. “There’s no one-size-fits-all solution that can provide a fair result in each case. And assessing exactly how much time a closure of a business will take

is also problematic. Ruth and I have been doing this for a very, very long time and yet there have been occasions when even we’ve wildly underestimated how long a job will take. Some cases are much more complicated than we’re led to believe and then the creditors feel aggrieved because all they see are the escalating fees.”

But it’s not all doom and gloom: in fact, the primary purpose of an IP firm is to save any part of the business that’s still viable and to safeguard as many jobs as possible. Public perception of IPs is poor, but, says Connor, while there’s no getting away from the fact that they’re seen as “financial undertakers”, their function is to find the best possible resolution for all concerned.

“We work in crises situations,” says Duncan, “but more often than not, we do manage to save some aspect of the business, to sell it on or to reinvent it in some way. That’s why it’s so important for accountants and banks to refer their clients to us early on.

“The sooner we come in, the more likely we are able to devise a successful survival strategy. We’re a bit like medical consultants. If the patients are referred to us early enough, we can avert disaster. But we can’t do anything if the disease has spread.” ■

# Ban for dishonest fund transfer, and crooked liquidator fined

Two cases from this month's disciplinary hearings are examined in more detail by Julia Irvine

## BANNED FOR DISHONESTY

**A** provisional member of ICAEW has been banned and told not to reapply for registration for two years, after being found guilty of dishonesty.

Harvinder Sond, of London SE1, transferred €2,231.76 (£1,675.38) from a Paypal account owned and controlled by his former employer, A, into his own Paypal account and then changed the login and security details so that other members of staff were unable to access the account from which the money had been taken.

After the funds were discovered to be missing, A (which was within the same group as his current employer, B) set up a disciplinary investigation. Sond admitted what he had done and said that he had always intended to repay the money.

He blamed his action on his addiction, stress at work and related conditions. He resigned and paid the money back.

As well as his dishonest actions, the disciplinary committee tribunal had to consider a separate complaint relating to his use of the ACA designation letters.

These were included after his name in his CV which was supplied to A as a prospective employer by recruitment consultants. The CV gave the false impression that Sond possessed a professional qualification which he did not in fact have.

The tribunal threw out the complaint. There was, it said, "a real possibility" that the CV might simply have been erroneous and it was possible that the defendant might not have been responsible for that error.

However, on the second complaint, it found that the test of dishonesty had been met. "For a person to take money for himself from his employer without appropriate authority is conduct which reasonable and honest people would

consider dishonest," it said.

"The defendant's assertion to his employer that he had always intended to repay the money does not negate dishonest intent to misappropriate the money."

As well as banning him, the tribunal reprimanded Sond and ordered him to pay costs of £3,950.

## CROOKED LIQUIDATOR FINED

**A**n Andover-based insolvency practitioner overcharged three companies he was liquidating by more than £1.17m and then failed to pay the excess back despite a court order.

As a result, Peter Yeldon was made bankrupt in April 2011 and his ICAEW membership ceased. But his case still came before a ICAEW disciplinary committee tribunal (DCT) which fined him £20,000 after finding two complaints against him proved.

Yeldon, a former head of insolvency at Smith & Williamson, who had worked on major insolvency cases including liquidating the Maxwell offshore companies, was a founding partner of corporate recovery firm Middleton Partners (no longer trading) in Salisbury.

Back in 2002, he had been appointed liquidator to the three companies, all part of the same group, and all of which had been dormant for four years. Despite this, he had managed to draw remuneration from them of over £1.46m.

A complaint was made and the High Court ordered an assessor to review Yeldon's work and his remuneration. The assessor found that some of the work he had done was unnecessary and his charges were excessive. He had overcharged the companies £388,082, £196,477 and £585,525 respectively. All in all, instead of over £1.46m, his total bill should have been £289,915.

The court accepted most of the

assessor's findings, although it reduced the allowable remuneration from one subsidiary even further. On 15 November 2010, the judge ordered Yeldon to pay £1.31m to the parent company and a further £295,916 to another company, both of which were in administration. He was also ordered to pay £120,000 in costs and the assessor's fees.

The court set a deadline of 15 March 2011 which Yeldon ignored. Three weeks later he was made bankrupt, at which point both his authorisation as an insolvency practitioner and his ICAEW membership ceased as a matter of course.

By that time more evidence of his dishonesty had come to light. In October 2010, he had given a written undertaking to the court in which he confirmed that he had not drawn any further remuneration, costs or disbursements from one of the companies since December 2009. In reality, he had withdrawn more than £345,000 from it, a fact that was only discovered after the court order was made and other liquidators appointed.

The DCT found that there were no mitigating circumstances in the case. "If the defendant had remained a member of ICAEW at the time of this complaint," it stated, "the tribunal would, without hesitation, have excluded him from membership with the recommendation that he never be permitted to be readmitted as a member."

Until his bankruptcy, Yeldon led a champagne lifestyle. He "bankrolled" Salisbury Football Club and listed sea fishing, fast cars, art and Rolls Royces among his recreations in Debretts.

# Report listings

**These reports are summaries. Further information is available from [icaew.com/publichearings](http://icaew.com/publichearings) or from the Professional Conduct Department, ICAEW, Metropolitan House, 321 Avebury Boulevard, Milton Keynes MK9 2FZ**

## DISCIPLINARY COMMITTEE TRIBUNAL ORDERS

- Gary Carruthers, 21 Orchard Road, Fair Oak, Eastleigh, Hampshire SO50 7AS  
**Complaint** He prepared inaccurate management accounts which overstated EBITDA and cash at bank; he signed bank loan covenant certificates for Santander when he should have known that the level of interest cover stated in the certificates was materially incorrect; and he failed to properly account for the company's VAT affairs and to disclose full details to the directors and the company's auditors. Furthermore, he misled the board of directors by preparing a reconciliation of management accounts with the financial statements approved by the board which showed £84,105 of the difference related to deferred income journals when these journals had not yet been posted.  
**Order** Severe reprimand, £3,000 fine.
- Charles Coffey, Unicredit House, Irwell Street Entrance, 16 Paley Road, Bradford, West Yorkshire BD4 7EJ  
**Complaint** On his firm's behalf, he failed to electronically file the self-assessment corporation tax returns for a client and he breached the Code of Ethics when he failed to respond to letters from another firm of accountants in respect of this and two other former clients of his.  
**Order** Severe reprimand, £1,500 costs and his practising certificate permanently withdrawn.
- Charles Coffey, Unicredit House, Irwell Street Entrance, 16 Paley Road, Bradford, West Yorkshire BD4 7EJ  
**Complaint** He failed to comply with written assurances he had given on his firm's behalf following a quality assurance

department visit and he failed to respond to the QAD's closing record of findings. He failed to certify compliance with continuing professional development requirements from November 2009 to October 2013.  
**Order** Both cases were heard at the same time and the same order applies.

## INVESTIGATION COMMITTEE CONSENT ORDERS

- Anthea Nembhard, 38 Ladbroke Grove, London W11 2PA  
**Complaint** Between April 2011 and May 2014, she engaged in public practice without holding a practising certificate contrary to principal byelaw 51(a) and without professional indemnity insurance (PII) in breach of the PII Regulations.  
**Order** Reprimand, £2,000 fine, £1,105 costs.
- Nicholas Michaels, Finsgate, 5-7 Cranwood Street, London EC1V 9EE  
**Complaint** He compromised his objectivity by: loaning sums of money totalling £159,609 to a client who was also a director of a client; and by conducting work on the accounts of a company and allowing the firm in which he was a partner to do the same when he knew that his sister owned 5% of the company's shares. He also issued an audit report for the same company on behalf of his firm when his objectivity was compromised. All these are breaches of the Guide to Professional Ethics.  
**Order** Severe reprimand, £16,650 fine, £2,400 costs.
- Bharat Shah, 786 London Road, Thornton Heath, Surrey CR7 6JB  
**Complaint** On behalf of his firm, he issued an unqualified audit report in respect of a client's financial statements in breach of audit regulations 3.10 and 3.07. First, the audit had not been conducted in accordance with ISA 500, Audit Evidence, because the firm had failed to perform sufficient procedures in respect of the physical existence and valuation of stock at the year-end date, and it had failed to obtain independent confirmation of the company's

bank balances. Second, the firm had failed to make adequate arrangements to prevent anyone who was not a responsible individual of the firm from having any influence which would be likely to affect the independence of integrity of the audit.  
**Order** Severe reprimand, £7,125 fine, £2,717 costs.

## AUDIT REGISTRATION COMMITTEE ORDERS

- Anstey Bond LLP, 1 Charterhouse Mews, London EC1M 6BB  
**Breach** The firm admitted breach of audit regulation 6.06 for failing to comply with an undertaking to submit the results of external cold file reviews, within one month of their completion.  
**Order** A £6,350 regulatory penalty.
- McDade Roberts Accountants Ltd, 316 Blackpool Road, Fulwood, PRESTON PR2 3AE  
**Breach** The firm admitted breach of audit regulations 2.03b, 2.07 and 2.11, by failing to notify ICAEW within 10 business days of the change in its structure and for not ensuring that it was controlled by an entity that was audit registered.  
**Order** A £607 regulatory penalty.
- Waveney Accountants Ltd, 4b Church Street, Diss, Norfolk IP22 4DD  
**Breach** The firm admitted breach of audit regulation 6.06 for failing to comply with an undertaking to arrange and submit the results of an external hot file review within one month of its completion.  
**Order** A £6,000 regulatory penalty.
- Hurst & Company Accountants LLP, Lancashire Gate, 21 Tiviot Dale, Stockport, Cheshire SK1 1TD  
**Breach** The firm admitted breach of Ethical Standard 5 and Audit Regulation 3.01 in that the firm provided prohibited non-audit services to a listed audit client.  
**Order** A £2,500 regulatory penalty.
- Austins, Pine House, Chandlers Way, Southend-on-Sea SS2 5SE  
**Order** The firm's registration as company auditor was withdrawn on 25 November 2014 under regulation 7.03h of the Audit Regulations and Guidance 2008.

- Silver & Co, The Hollies, 16 St Johns Street, Bridgnorth, Shropshire WV15 6AG  
**Order** The firm's registration as company auditor was withdrawn on 25 November 2014 under regulation 7.03h, Audit Regulations and Guidance 2008.
- GSK Accountancy Ltd, 24 Barnehurst Avenue, Erith, Kent DA8 3NF  
**Order** The firm's registration as company auditor was withdrawn on 10 December 2014 under regulation 7.03g, Audit Regulations and Guidance 2008.

## CLARIFICATION

We would like to make clear that the Neil Turner referred to in our report, *Separation of clients' money*, in the February issue (page 82) is not Neil Turner of Turner & Co, Nottingham, but Neil Turner of Marple Bridge, Stockport.



# Finders keepers

It's a wild world out there, with delicacies and treasures ripe for the picking. Patricia Carswell goes foraging



seaweed, rich in iodine, iron and protein, and unexpectedly delicious. “I thought seaweed would be a Marmite thing,” says Fiona Houston, co-author of *Seaweed and Eat It* and self-styled “SeaEO” of Mara Seaweed, “but everyone who is prepared to try it tends to like it.”

Foragers often advocate wild food for its health benefits, but according to Robbins these should not be overstated: “I cringe when I hear people claim things are superfoods.”

Robbins does acknowledge, though, that wild plants may have a higher concentration of nutrients than their cultivated cousins. “Because we’re not giving them vigour from fertilisers and heat, they are not pumped up with water and the same weight contains a higher proportion of vitamins and minerals.”

Whatever your reasons for foraging, there are a few basic rules. Most importantly, only eat what you can identify (this is especially important if picking mushrooms). A foraging course or guided walk can be a good start, and there are plenty of books to help you with identification.

If you’re foraging on private land, it is wise to seek the permission of the landowner, and no matter where you are, pick only what you need and don’t strip a tree or patch of land of all its produce. If abused, foraging can be actively harmful to the environment - Colquhoun points to woodland in Sussex, popular among foragers, where mushrooms and other species are being wiped out - so forage with care.

Of course, foraging isn’t just about food; combing beaches and fields for hidden artefacts is hugely popular. Karen Miller started beachcombing seriously when she discovered that her driftwood Christmas trees and hearts were proving a hit with customers at a shop where she worked. Now she has her own business selling driftwood furniture and gifts and sources much of her driftwood from overseas.

Beachcombing was, for her, about much more than just sourcing the materials, though. “It was peaceful and very rewarding; it never became a chore,” she says. “You would meet and see people just doing their thing; it was great.”



Top: Fiona Houston of Mara Seaweed  
Above and left: Karen Miller holding her beachcombing treasures

Beachcombers look for more than driftwood, depending on the area of the country. Pieces of amber and jet can be found on parts of the eastern coast of England, and fragments of ruby in Ruby Bay in Scotland. Fossils are quite common finds, as well as seashells, pottery shards, sea glass and the occasional historic artefact. If you're prepared to go overseas, you might find anything from fishing floats to petrified lightning.

Treasure-hunting isn't confined to coastal areas. City riversides can be a rich source of artefacts, as mudlarkers will tell you. The word, explains Nicola White, PA in an investment bank who has been mudlarking for 15 years, derives from the Victorian children who used to search for discarded objects to sell for a few pennies.

As the Thames is tidal, new finds are deposited each day, and the anaerobic nature of the mud means that they are usually perfectly preserved.

The appeal isn't hard to see. "What I particularly love," explains White, "is the secret history of the objects that I find. These objects are

evocative of past lives, mysteries and stories that we will never know about - a small link between the past and the present."

White's finds have included part of a human skeleton dating from the 1600s, Victorian toys, pendants, coins and messages in bottles.

As with food foraging, beachcombers and mudlarks should respect their environment. In London a licence from the Port of London Authority is needed to disturb the surface of the foreshore, and historic finds must be reported to the Museum of London. For safety reasons, White advises a novice mudlark to join a group such as Thames and Field ([thamesandfield.com](http://thamesandfield.com)) as the combination of mud and tide can make the riverside hazardous.

Whether it's pulling a handful of herbs to throw into your supper or an afternoon looking for shells on a beach, what excites all foragers is the thrill of finding something unexpected. As Houston explains: "It's an adventure. It's about being experimental." And it's also a whole lot more fun than trailing around a supermarket. ■

Below: Nicola White's finds, including coins and clay pipes  
Bottom: White mudlarking on the banks of the Thames

