



carillion

What happened?

The Guardian

Wed 16 May 2018 00.01 BST

Carillion collapsed as a result of “recklessness, hubris and greed” among directors who put their own financial rewards ahead of all other concerns, according to an excoriating report into the firm’s demise that spreads the blame between board members, the government, accountants and regulators.

The auditors, **KPMG**, were useless, as was the audit industry’s passive regulator. The government, in the form of the Crown Representative, was asleep. The Pensions Regulator was feeble. City advisers to Carillion were paid to be supine. Big shareholders were not inquisitive. None of those judgments will surprise those who followed the evidence sessions, but the MPs’ report will count for little unless it forces action from government. Three areas are priorities.

First, reform the auditing industry. The public lost faith in auditors when HBOS and Royal Bank of Scotland collapsed without a squeak of warning from the people signing off the accounts. Now there’s Carillion, where the report accuses KPMG, which had the auditing gig for 19 years, of failing to exercise professional scepticism - the basic requirement of the job.

Second, Get the Competition and Markets Authority to look at two specific proposals: a breakup of the big four auditors or a separation of the auditing arms from their consultancy operations.

Third, Concentration in this market has now reached absurd levels – the big four are auditors to 97% of FTSE 350 companies.



Carillion finance director, Richard Adam

“recklessness, hubris and greed” – Carillion slammed by MPs

Timeline and Overview

1999

- Spin-off
- Listed in LSE
ทุนจดทะเบียน
£163M.

2000-2005

มีนโยบาย
เติบโต
ด้วยการ
ซื้อกิจการ

2006

ซื้อ Mowlem
(GW £430M.)

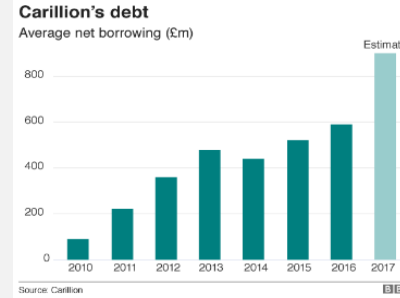


2008

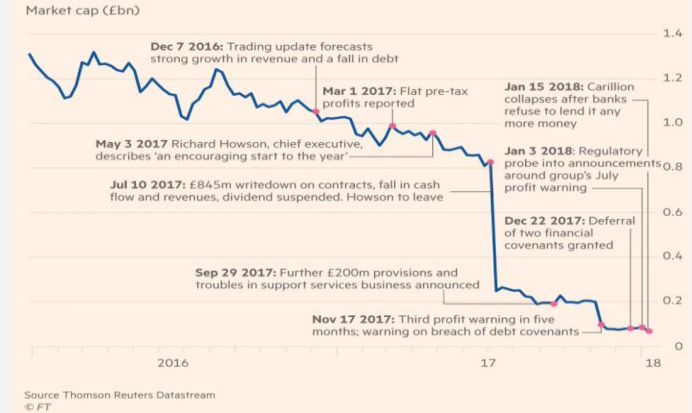
- ซื้อ Alfred
McAlpine
(GW £615M.)
- ปี 2008
มี GW 30%
ของสินทรัพย์
รวม

2011

- ซื้อ Eaga (GW £329M.)
เพื่อขยายธุรกิจไป
ตะวันออกกลาง
- สิ้นปี 2011
มี GW £1,431M.
(39%ของสินทรัพย์
รวม)
- Equity £982.5M.



The collapse of Carillion



2012-2016

- สัญญาโครงการ
มีปัญหาล่าช้า
- การเงินเริ่มขาด
สภาพคล่อง
- ผู้ถือหุ้นบางราย
เริ่มขายหุ้น

2017

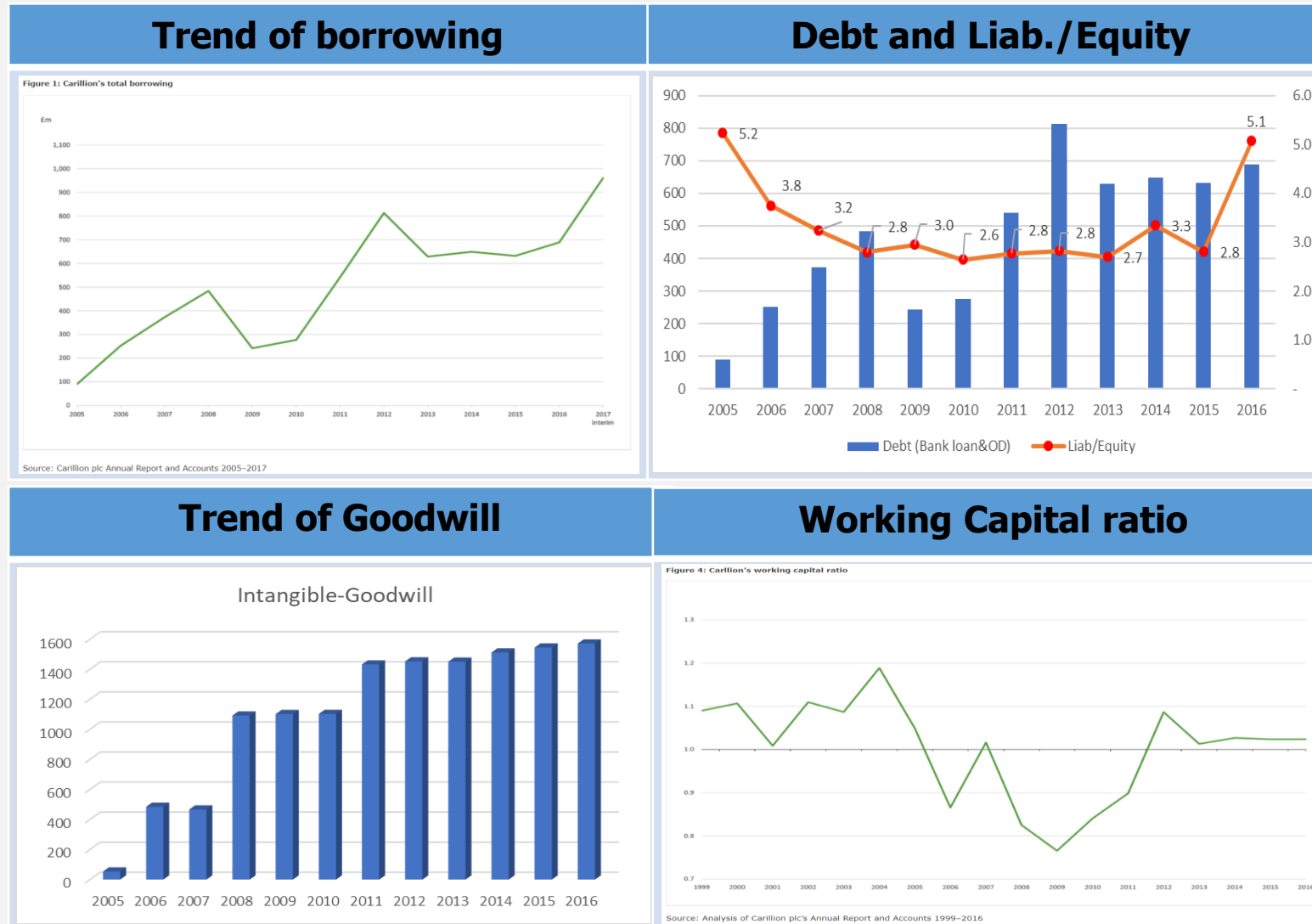
- Finance Director
คนใหม่พบข้อสงสัยในงบการเงิน
- KPMG re-audit
- ตั้งด้อยค่ารวม £1,204M.
- ตั้ง pension เพิ่ม £120M.
- ราคาหุ้นตก
(£187.5 >> £55.45)

2018

- บริษัทปิดตัวลง
ในเดือนมกราคม
2018 พร้อมกับ
หนี้สิน £1,5xxM.

Warning Signs

- Financial Information

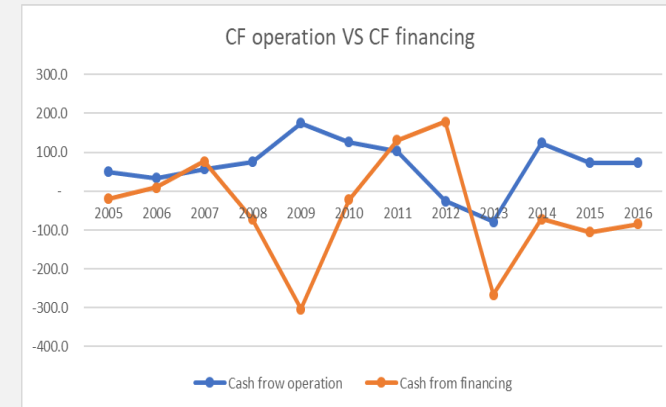
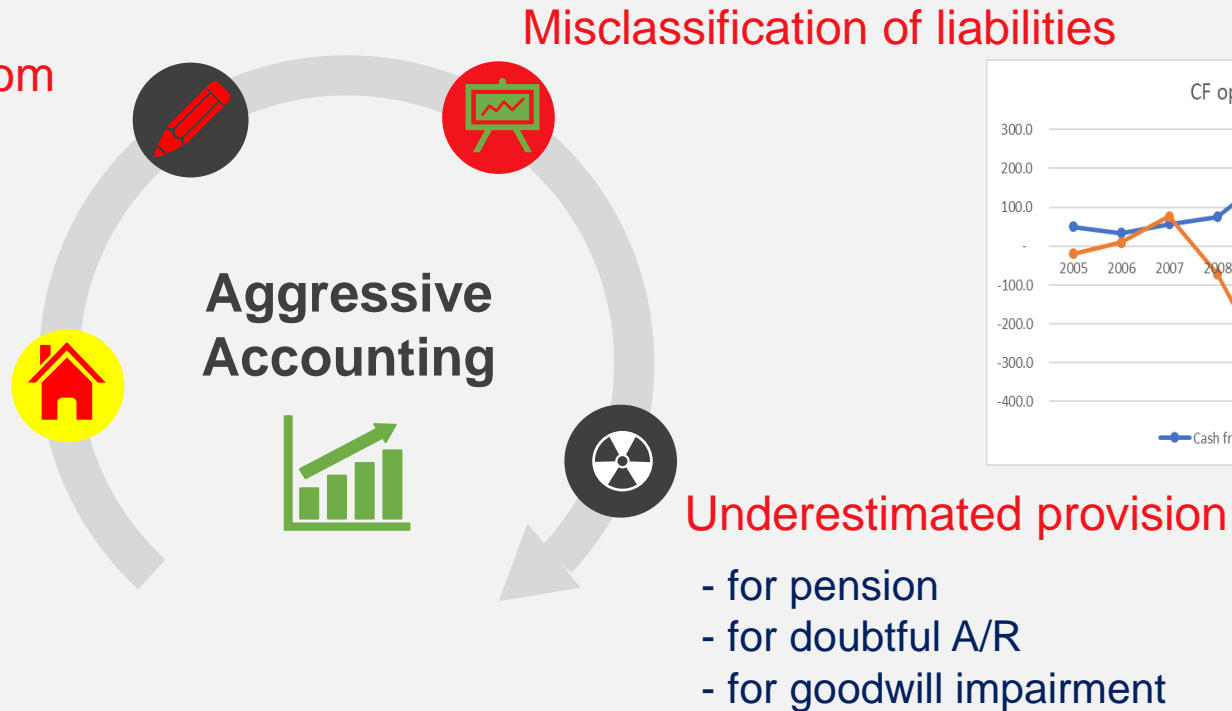
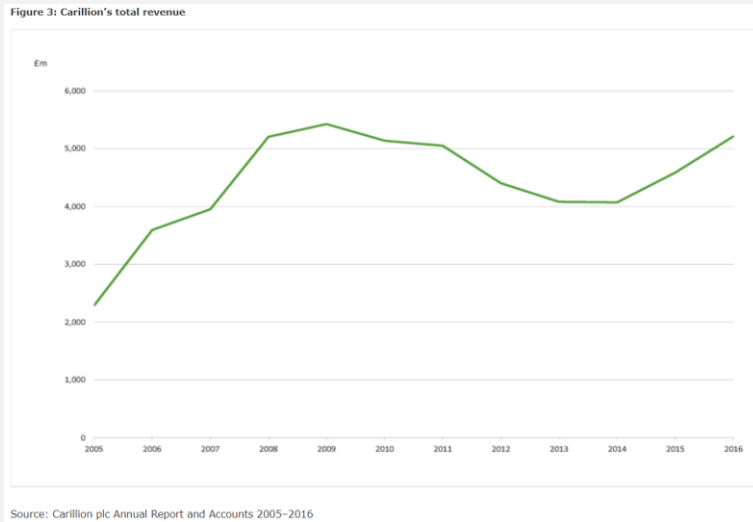


Warning Signs

- Accounting Policy

Revenue Recognition from “traded not certified”

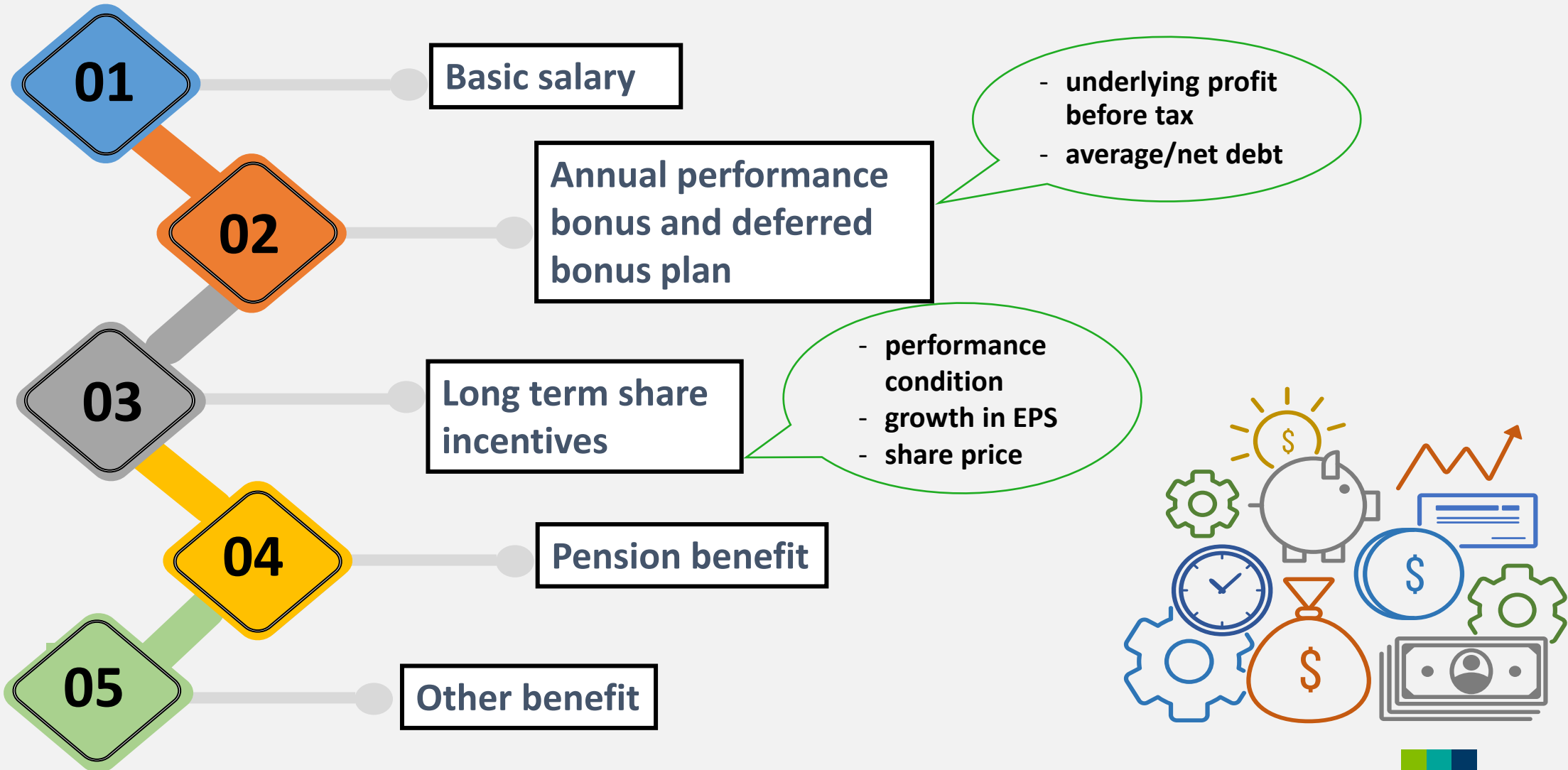
Aggressive Revenue Recognition from Construction contract



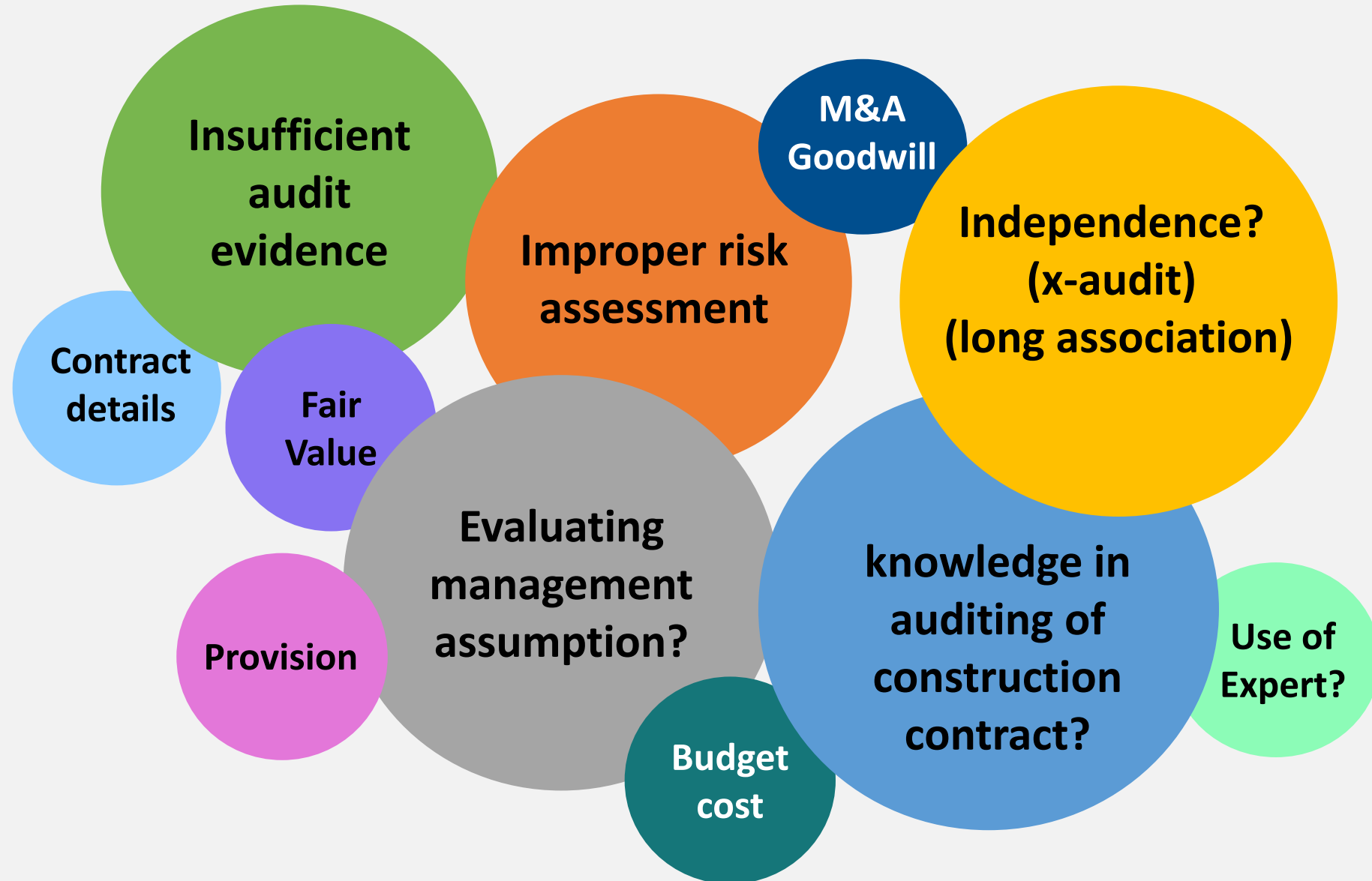
- ปี 2017 ผู้สอบบัญชีตรวจสอบใหม่พบว่า
- มีด้อยค่าลูกหนี้สัญญาก่อสร้าง และหนี้สินจากสัญญาที่สร้างภาระ รวมมูลค่า £1,045M.
 - ตั้งด้อยค่า Goodwill เพิ่ม £134M.
 - ตั้ง pension ขาดไป £120M.
 - มีขาดทุนสะสม £1,019M.



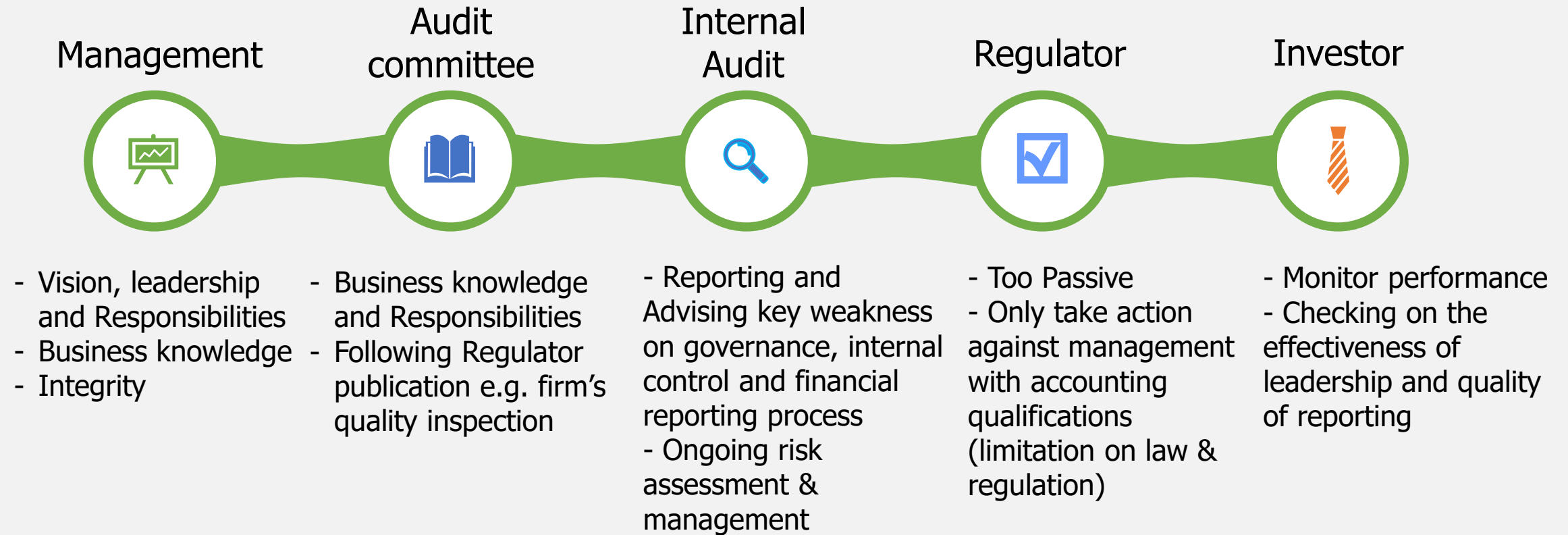
Remuneration Policy



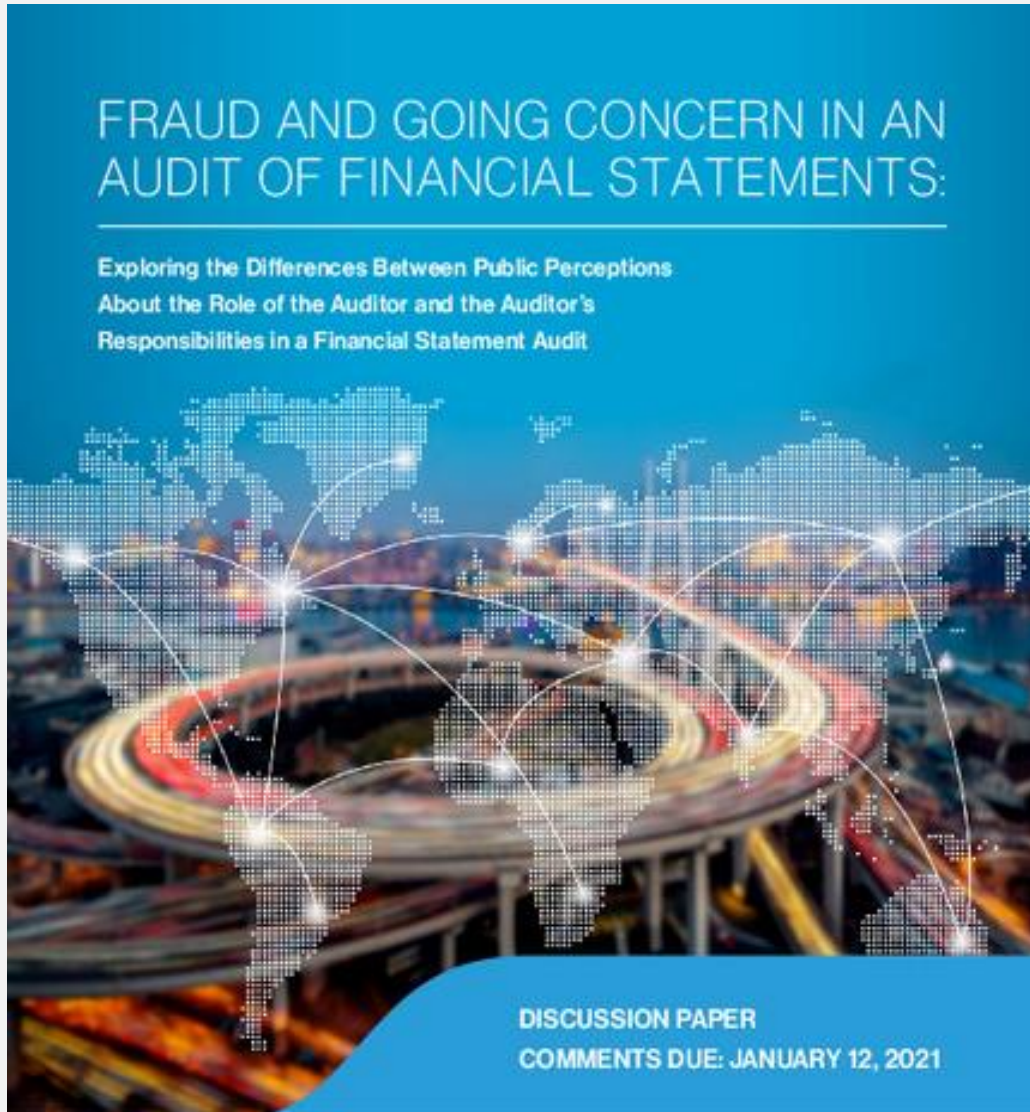
What didn't auditor do?



Other Stakeholder



IAASB discussion paper



FRAUD AND GOING CONCERN IN AN AUDIT OF FINANCIAL STATEMENTS:

Exploring the Differences Between Public Perceptions About the Role of the Auditor and the Auditor's Responsibilities in a Financial Statement Audit

DISCUSSION PAPER
COMMENTS DUE: JANUARY 12, 2021



Toshiba Corporation (2015), Japan
Overstated operating profits by more than \$1.2 billion in a scandal that began in 2008 and spanned 7 years.



Steinhoff International Holdings NV (2017), South Africa
A fraud investigation uncovered billions of dollars of fictitious/irregular transactions.



Carillion (2018), United Kingdom
The company's collapse left £2 billion owed to its suppliers and £2.6 billion in pension liabilities.



Luckin Coffee (2019), China
Fraudulently inflated sales by 2.1 billion yuan (over \$300 million), which resulted in the company being delisted from the US Nasdaq exchange.



Wirecard (2020), Germany
Filed for insolvency after admitting that approximately \$2.6 billion of assets on the company's balance sheet likely did not exist.



"KNOWLEDGE GAP"
The difference between what the public thinks auditors do and what auditors actually do. This recognizes that the public may misunderstand the role of auditors and the requirements of the auditing standards.

"PERFORMANCE GAP"
Where auditors do not do what auditing standards or regulations require due to the complexity of certain auditing standards (i.e. unclear requirements) or differences in interpretation of auditing standard or regulatory requirements between practitioners and regulators.*

"EVOLUTION GAP"
Areas of the audit where there is a need for evolution, taking into consideration the general public's demand, technological advances, and how the overall audit process could be enhanced to add more value.

AUDIT "EXPECTATION GAP"



Thank you

