

**THE ACCOUNTANCY AND ACTUARIAL DISCIPLINE BOARD**

**IN THE MATTER OF**

**RSM ROBSON RHODES LLP  
and  
MR GLYN WILLIAMS FCA  
and  
i SOFT PLC  
and  
i SOFT GROUP PLC**

1. On the 5<sup>th</sup> October 2011 a Disciplinary Tribunal, appointed under paragraph 7(2) of the Accountancy and Actuarial Discipline Board Scheme, met to hear a Formal Complaint made by Mr Cameron Scott, Executive Counsel of the Accountancy and Actuarial Discipline Board (“the AADB”) against RSM Robson Rhodes<sup>1</sup> LLP, Chartered Accountants, and Mr Glyn Williams who were, at all material times, respectively, a Member Firm, and a Member, of the Institute of Chartered Accountants of England and Wales (“ICAEW”).
2. The Disciplinary Tribunal was also asked to consider, under what is known as the “Carecraft procedure” (see *In re Carecraft Construction Co Limited* [1994] 1 WLR 172), an agreement (“the Settlement Agreement”), between the Executive Counsel on the one part and Robson Rhodes and Mr Williams on the other. A copy of the Settlement Agreement is at Annex 1.
3. The members of the Disciplinary Tribunal were Mr David Blunt QC (Chairman), Mr Richard Kennett FCA and Mr Alan Barber FCIB. The Secretary to the Tribunal was Ms Janet Weeks, Barrister.
4. At the hearing, Mr Gareth Rees QC, instructed by solicitors Kingsley Napley LLP, appeared on behalf of the Executive Counsel. Robson Rhodes and Mr Williams were represented at the hearing by Mr Christopher Symons QC, instructed by solicitors Hogan Lovells LLP.

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<sup>1</sup> Now called Clearr LLP, but referred to herein as “Robson Rhodes”.

5. A Formal Complaint, alleging acts of misconduct on the part of Robson Rhodes and Mr Williams in relation to the audit of the financial statements of iSoft Plc and iSoft Group Plc (together "iSoft") for the years ended 30 April 2003, 2004 and 2005, was issued by the Executive Counsel on 19 October 2010.
6. Rule 2(1) of the AADB Scheme defines an act of misconduct as "*any Member's or Member Firm's conduct in the course of his or its professional, business or financial activities ... which falls short of the standards reasonably to be expected of a Member or Member Firm*".
7. A Response, making some limited admissions, but otherwise refuting the Complaint, was served on behalf of Robson Rhodes and Mr Williams on 21 April 2011.
8. A hearing of the Formal Complaint, timed so as not to interfere with the preparation or conduct of the trial of criminal charges brought by the FSA against certain other persons, was scheduled for four weeks commencing on 5 March 2012.
9. The Settlement Agreement referred to in paragraph 2 above was made on 13 July 2011.
10. The admitted complaints made against Robson Rhodes and Mr Williams are set out in Annex 2 hereto. The admitted facts are set out in Annex 3 hereto. For a full understanding of the admitted complaints and the admitted facts, Annexes 2 & 3 must be read in full, since only an abridged version of the facts is set out below.
11. Robson Rhodes were appointed iSoft's auditors from its incorporation in 1998, and audited its annual accounts from the date of incorporation up to, and including, the accounts for the year ended 30 April 2005.

12. Mr Williams was a partner at Robson Rhodes from 1992 to 2007 and was the audit engagement partner for the audit of iSoft's accounts for the years ended 30 April 1998 to 2005 inclusive. Mr Williams was an experienced audit partner, being the national head of audit of Robson Rhodes from 2004.
  
13. As can be seen from Annexes 2 and 3, the Complaint is that the conduct of Robson Rhodes and Mr Williams in relation to the audits referred to in paragraph 5 above fell short of the standard reasonably to be expected of, respectively, a Member Firm of auditors and a Member, in relation to the following matters:
  - (1) Revenue Recognition;
  - (2) Funded Contract Receivables; and
  - (3) Goodwill.
  
14. In relation to Revenue Recognition, the underlying and admitted facts are that:-
  - (1) in respect of the financial years ending 30 April 2003 and 30 April 2004 Robson Rhodes and in particular, Mr Williams:
    - failed to identify that iSoft's major contracts should have been accounted for in a manner so as to spread more revenues across the term of the contract and less recognised upfront; and
    - failed to qualify their audit opinion in relation to the accounts in respect of income recognition.
  
  - (2) As a consequence, the accounting for iSoft's major contracts was not appropriate in the 2003 and 2004 Accounts and these accounts therefore did not show a true and fair view of the state of affairs of iSoft as at 30 April 2003 or 30 April 2004. Robson Rhodes' audit reports, which were signed by Mr Williams in June 2003 and June 2004, stated that the 2003 and 2004 Accounts did show a true and fair view.

(3) in respect of the financial year ending 30 April 2005, Robson Rhodes, and in particular, Mr Williams:

- failed to obtain sufficient evidence to support the measurement of progress and income recognised in the 2005 Accounts in relation to two long-term contracts, the NHS National Programme for Information Technology contracts, and
- failed to show sufficient professional scepticism when assessing and following up information that was made available to them by management.

15. In relation to the audit work on funded contract receivables in the years ended 30 April 2003, 2004 and 2005, the underlying and admitted facts are that:

(1) Robson Rhodes and, in particular, Mr Williams:

- failed to identify that iSoft's policy of derecognition of the assets and liabilities relating to the funded contract receivables was inappropriate; and
- failed to qualify their audit opinion in relation to the 2003, 2004 and 2005 Accounts in respect of the treatment of funded contract receivables.

(2) As a consequence, the 2003, 2004 and 2005 Accounts did not show a true and fair view of the state of affairs of iSoft in respect of Funded Contract Receivables as at 30 April 2003, 2004 and 2005.

16. In relation to the audit work on goodwill in the years ended 30 April 2003, 2004 and 2005, the underlying and admitted facts are that:

(1) Impairment reviews of goodwill should have been carried out by iSoft management in accordance with FRS 10 at the end of the first full year of account following acquisitions. First year impairment reviews should therefore have been performed in respect of certain acquisitions by iSoft, namely:

- a. Eclipsys Ltd – year ended 30 April 2003;
  - b. Northgate and Revive – year ended 30 April 2004;
  - c. Torex – year ended 30 April 2005.
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- (2) The representation letters provided by iSoft management to Robson Rhodes for each of the years in question specifically stated that adequate provision had been made for any impairment losses in relation to goodwill.
  - (3) iSoft did not write down or impair the value of goodwill in respect of the above acquisitions in the 2003, 2004 and 2005 Accounts.
  - (4) In 2003, Robson Rhodes did not report that they had neither seen the evidence of an impairment review being performed, nor reviewed it. They did not report that they had not considered the required comparisons of “*post-acquisition performance in the first year with pre-acquisition forecasts used to support the purchase price*”.
  - (5) In 2004 Robson Rhodes did not report to iSoft management or to the iSoft Audit Committee that they had neither seen the evidence of an impairment review being performed, nor had they reviewed it.
  - (6) In 2005 the Robson Rhodes Audit Committee meeting presentation slides made reference to the “*First year impairment review of Torex acquisition*”. Robson Rhodes did not report to the committee (or to iSoft management) that they had not reviewed the impairment paper prepared by iSoft management. There was no reference to goodwill in any minute of the Audit Committee meetings held during that financial year.
  - (7) In the premises, Robson Rhodes and, in particular, Mr Williams:
    - failed to undertake sufficient audit work to investigate and test the non-impairment of the carrying value of goodwill at 30 April 2003, 30 April 2004 and 2005; and



- failed properly to record the audit work that they undertook in respect of the impairment of goodwill.

17. The Settlement Agreement included a recommendation in the following terms:-

*“The Parties recognise that the orders to be made in this case are a matter for the Disciplinary Tribunal. The Parties will recommend to the Disciplinary Tribunal that the following orders be made:*

- (a) *a fine of £225,000 to be paid by Robson Rhodes;*
- (b) *a reprimand and a fine of £15,000 to be paid by Mr Williams;*
- (c) *a total of £750,000 to be paid by Robson Rhodes towards the costs of, and incidental to, the investigation and hearing of the Formal Complaint before the Disciplinary Tribunal.”*

18. The Tribunal concluded that the course recommended is appropriate in all the circumstances, including the following:

- The purposes of the Scheme include safeguarding the public interest by maintaining and enhancing the standards of conduct of Members and Member Firms (paragraph 1(2)) and imposing sanctions upon conduct which falls short of the standards reasonably expected of a Member or a Member Firm (paragraph 7).
- Executive Counsel would not be a party to any such recommendation unless he were satisfied that it is consistent with his duties under the Scheme;
- Mr Williams has a previously unblemished record, and there is no suggestion of impropriety or dishonesty on his part;
- as so often in cases of this nature, especially where criminal proceedings relating to other persons are afoot, there has been

substantial delay in bringing these proceedings forward, and this will inevitably have impacted significantly upon Mr Williams (including financially) and upon the other partners of Robson Rhodes, and it is likely to continue to do so;

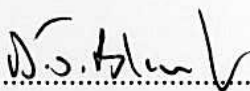
- Mr Williams and Robson Rhodes are entitled to credit for their extensive admissions: whilst these admissions might be said to have been somewhat delayed, it needs to be borne in mind that the Formal Complaint raised issues over and above those initially raised with Mr Williams when he was first interviewed; it is understandable that this may have had the effect of delaying the present compromise;
- Mr Symons submitted that Mr Williams had fully co-operated with the AADB, and provided information and documentation when requested; Mr Rees did not dissent from this assertion;
- there is a public interest in terms of the saving of time, expense and administration in bringing such matters as these to an uncontested conclusion – because of delays in the criminal proceedings referred to above, if this matter had continued to be contested it is unlikely that it would have been heard until 2013, and is likely to have occupied a period of four weeks and involved very substantial further expenditure;
- the recommended sanctions are in line with those imposed in the past in relation to shortcomings within the accountancy profession.

19. Accordingly, the Disciplinary Tribunal:

- (1) was and is satisfied that it is appropriate to make, and hereby makes, Adverse Findings pursuant to paragraph 7(6)(i) of the Scheme in respect of the admitted misconduct of Robson Rhodes and Mr Williams set out in Annex 2 of this Report;

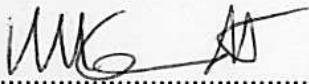
(2) pursuant to paragraph 7(7) and Appendix 1 of the Scheme imposes upon Robson Rhodes and Mr Williams the following sanctions:-

- a fine of £225,000 to be paid by Robson Rhodes;
- a reprimand and a fine of £15,000 to be paid by Mr Williams;
- a total of £750,000 to be paid by Robson Rhodes towards the costs of and incidental to the investigation and hearing of the Formal Complaint before the Disciplinary Tribunal.

Signed:  .....

David Blunt QC

Date: 13.10.11

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Richard Kennett FCA

Date: 13/10/11

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Alan Barber FCIB

Date: 14/10/11



**ANNEX 1**

**ACCOUNTANCY & ACTUARIAL DISCIPLINE BOARD**

**Agreement between**

**EXECUTIVE COUNSEL**

**-and-**

**(1) RSM ROBSON RHODES LLP**

**(2) GLYN WILLIAMS**

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**SETTLEMENT AGREEMENT**

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1. This Agreement is made on the *13<sup>th</sup>* day of July 2011 between Mr Cameron Scott as Executive Counsel of the Accountancy and Actuarial Discipline Board ("AADB") of Aldwych House, 71-91 Aldwych, London WC2B 4HN ("Mr Scott"), RSM Robson Rhodes LLP (now called Clearr LLP) ("Robson Rhodes") of 30 Finsbury Square, London EC2P 2YU and Mr Glyn Williams of 30 Finsbury Square, London EC2P 2YU ("Mr Williams"). Mr Scott, Robson Rhodes and Mr Williams together are described as "the Parties".
2. The Agreement is evidenced by the signatures of Mr Scott on his own behalf, by Mr Mick Biles on behalf of Robson Rhodes and by Mr Williams on his own behalf.
3. Mr Scott laid a Formal Complaint dated 19 October 2010 against Robson Rhodes and Mr Williams concerning their conduct in relation to the audit of financial statements of iSoft PLC and iSoft Group PLC for the years ended 30 April 2003, 2004 and 2005.
4. The Parties have reached an agreement with respect to the Formal Complaint against Robson Rhodes and the associated Statement of Facts.

5. Robson Rhodes and Mr Williams admit the annexed Admitted Formal Complaint (Annex A).
6. Robson Rhodes and Mr Williams admit all the matters contained in the annexed Admitted Statement of Facts (Annex B).
7. The Parties will request that the annexed Admitted Formal Complaint and Admitted Statement of Facts form part of the signed report of the Disciplinary Tribunal in accordance with Regulation 37(a) of the AADB Regulations. This Agreement including Annexes A and B, if approved by the Disciplinary Tribunal, will replace the Formal Complaint dated 19 October 2010. 7
8. The Parties recognise that the orders to be made in this case are a matter for the Disciplinary Tribunal. The Parties will recommend to the Disciplinary Tribunal that the following orders be made:
  - (a) a fine of £225,000 to be paid by Robson Rhodes;
  - (b) a reprimand and a fine of £15,000 to be paid by Mr Williams;
  - (c) a total of £750,000 to be paid by Robson Rhodes towards the costs of, and incidental to, the investigation and hearing of the Formal Complaint before the Disciplinary Tribunal.
9. The fines and costs set out at paragraph 8 will be payable within 14 days of any approval of this Agreement by the Disciplinary Tribunal at an oral hearing or when the signed report of the Disciplinary Tribunal is served on Robson Rhodes and Mr Williams whichever is the later.
10. In order to fulfil the terms of this Agreement, the Parties agree to attend before a Disciplinary Tribunal on such date or dates as the Tribunal may order, so as to make the admissions, and put forward the recommendations contained in this Agreement.

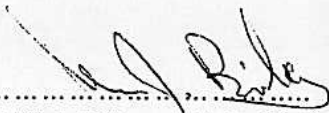
11. The Parties recognise that if, in its discretion, the Tribunal declines to accept the recommendations made, this Settlement Agreement and the documents in Annex A and Annex B will be terminated. The documents will remain confidential and the Parties will not be bound by them and the admissions and recommendations as to sanctions and costs will be of no effect. The case will then proceed to a full hearing on the basis of the original Formal Complaint.
12. This Agreement and the documents in Annex A and Annex B will remain confidential to the FRC and the AADB until the signed report of the Disciplinary Tribunal is served on the Parties.



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*Mr Cameron Scott - Executive Counsel*

13<sup>th</sup> July 2011

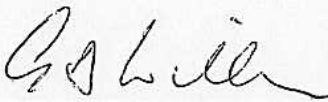
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*Mr Mick Biles on behalf of Clearr LLP*

11/7/11

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*Date*



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*Mr Glyn Williams*

8/7/11

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*Date*