

**IN THE MATTER OF  
THE ACCOUNTANCY AND ACTUARIAL DISCIPLINE BOARD**

**-and-**

**(1) RSM ROBSON RHODES LLP  
(2) GLYN WILLIAMS**

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**ADMITTED FORMAL COMPLAINT**

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**RSM Robson Rhodes LLP (now called Clearr LLP) ("Robson Rhodes") and Glyn Williams ("Mr Williams") admit to misconduct, as defined in rule 2(1) of the AADB Scheme, in that their conduct fell short of the standards reasonably to be expected of a Member of the ICAEW in respect of the following heads of complaint within the Formal Complaint dated 19 October 2010:**

**A. Revenue Recognition - Financial Year ending 30 April 2003**

1. Robson Rhodes and, in particular, Mr Williams, failed to:
  - (a) obtain sufficient evidence to satisfy themselves as to the appropriate accounting treatment in relation to the major contracts;
  - (b) show sufficient professional scepticism when assessing and following up information that was made available to them by management;

- (c) 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
  - (d) document the evidence to support or refute treating these contracts as short term or long term in nature and to record the reasons for their conclusions.
- 2. Robson Rhodes and, in particular, Mr Williams, failed to qualify their audit opinion in relation to the 2003 Accounts in respect of income recognition.
- 3. Further, and for the reasons set out above, Robson Rhodes and, in particular, Mr Williams, did not meet the requirements of SAS 400.1, 230.3 or 470.2, namely:

*"Auditors should obtain sufficient appropriate audit evidence to be able to draw reasonable conclusions on which to base the audit opinion." (SAS 400.1)*

*"Auditors should record in their working papers their reasoning on all significant matters which require the exercise of judgement, and their conclusions thereon." (SAS 230.3)*

*"Auditors should consider whether the information presented in the financial statements is in accordance with statutory requirements and that the accounting policies employed are in accordance with accounting standards, properly disclosed, consistently applied and appropriate to the entity." (SAS 470.2)*

- 4. Robson Rhodes and, in particular, Mr Williams, failed to conduct their audit with due skill, care, diligence and with proper regard to the technical and professional standards expected of them contrary to Fundamental Principle 4 of the ICAEW Guide to Professional Ethics.

**B. Revenue Recognition - Financial Year ending 30 April 2004**

- 5. Robson Rhodes and, in particular, Mr Williams, failed to:

- a) obtain sufficient evidence to satisfy themselves as to the appropriate accounting treatment in relation to the major contracts;
  - b) show sufficient professional scepticism when assessing and following up information that was made available to them by management;
  - c) 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
  - d) document the evidence to support or refute treating these contracts as short term or long term in nature and to record the reasons for their conclusions.
6. Robson Rhodes and, in particular, Mr Williams, failed to report to the iSoft audit committee 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 up front and therefore did not show a true and fair view of the state of affairs of iSoft as at 30 April 2004 and of iSoft's profit for the year then ended.
7. Robson Rhodes and, in particular, Mr Williams, failed to qualify the audit opinion in relation to the 2004 Accounts in respect of income recognition.
8. Further, and for the reasons set out above, Robson Rhodes and, in particular, Mr Williams, did not meet the requirements of SAS 400.1, 230.3 or 470.2.
9. Robson Rhodes and, in particular, Mr Williams, failed to conduct their audit with due skill, care, diligence and with proper regard to the technical and professional standards expected of them contrary to Fundamental Principle 4 of the ICAEW Guide to Professional Ethics.
- C. Revenue Recognition - Financial Year ending 30 April 2005**
10. Robson Rhodes and, in particular, Mr Williams, failed to:



- a) obtain sufficient evidence to support the measurement of progress and income recognised in relation to the NHS National Programme for Information Technology contracts in the 2005 Accounts; and
  - b) show sufficient professional scepticism when assessing and following up information that was made available to them by management.
11. Further, and for the reasons set out above, Robson Rhodes and, in particular, Mr Williams, did not meet the requirements of SAS 400.1 or 230.3.
12. Robson Rhodes and, in particular, Mr Williams, failed to conduct their audit with due skill, care, diligence and with proper regard to the technical and professional standards expected of them contrary to Fundamental Principle 4 of the ICAEW Guide to Professional Ethics.
- D. Funded Contract Receivables - years ending 30 April 2003, 30 April 2004 and 30 April 2005.**
13. In relation to the audit work on funded contract receivables in the years ended 30 April 2003, 2004, and 2005, Robson Rhodes and, in particular, Mr Williams:
- (a) failed to adequately plan their audit work in this area. In particular:
    - (i) The issue of iSoft's balance sheet treatment of the funding arrangements ought to have been identified as an area of audit risk or focus as part of the audit planning, particularly given the risks that had been identified in 2002; and
    - (ii) The planning documentation in 2005 ought to have identified iSoft's balance sheet treatment of funded contract receivables as an area of high risk (and one that required careful consideration) given the Financial Reporting Review Panel enquiry.

- (b) failed to carry out an assessment of iSoft's funded contracts and the funding arrangements to enable them to satisfy themselves that iSoft's accounting treatment of funded contract receivables was appropriate and, in particular, to assess whether all significant rights to benefits and exposure had in fact been transferred to the funding providers;
  - (c) failed to obtain and/or document sufficient and appropriate evidence to enable them to draw reasonable conclusions on which to base the audit opinion;
  - (d) failed to identify that iSoft's policy of derecognition of the assets and liabilities relating to the funded contract receivables was inappropriate;
  - (e) failed to report to iSoft management and to the audit committee that iSoft's policy of derecognition was not appropriate;
  - (f) failed to report to the iSoft audit committee that the 2003, 2004 and 2005 Accounts therefore did not show a true and fair view of the state of affairs of iSoft as at 30 April 2003, 2004 and 2005; and
  - (g) failed to qualify their audit opinion in relation to the 2003, 2004 and 2005 Accounts in respect of the treatment of funded contract receivables.
14. Further, and for the reasons set out above, Robson Rhodes and, in particular, Mr Williams, did not meet the requirements of SAS 200.1, 400.1, 230.2 or 470.2, namely:

*"Auditors should plan the audit work so as to perform the audit in an effective manner." (SAS 200.1)*

*"Auditors should obtain sufficient appropriate audit evidence to be able to draw reasonable conclusions on which to base the audit opinion." (SAS 400.1)*

*Working papers should record the auditors' planning, the nature, timing and extent of the audit procedures performance, and the conclusions drawn from the evidence obtained." (SAS 230.2)*

*"Auditors should consider whether the information presented in the financial statements is in accordance with statutory requirements and that the accounting policies employed are in accordance with accounting standards, properly disclosed, consistently applied and appropriate to the entity." (SAS 470.2)*

15. Robson Rhodes and, in particular, Mr Williams, failed to conduct their audit with due skill, care, diligence and with proper regard to the technical and professional standards expected of them contrary to Fundamental Principle 4 of the ICAEW Guide to Professional Ethics.

**E. Goodwill - years ending 30 April 2003, 30 April 2004 and 30 April 2005.**

16. In relation to the audit work on goodwill in the years ended 30 April 2003, 2004 and 2005, Robson Rhodes and, in particular, Mr Williams:
  - a) 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
  - b) Failed properly to record the audit work that they undertook in respect of the impairment of goodwill.
17. Further, and for the reasons set out above, Robson Rhodes and, in particular, Mr Williams, did not meet the requirements of SAS 400.1, SAS 420.2 or SAS 230.2 and 470.2, namely (apart from those already cited):

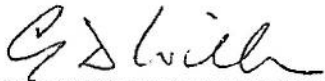
*"Auditors should obtain sufficient appropriate audit evidence as to whether an accounting estimate is reasonable in the circumstances and, when required, is appropriately disclosed." (SAS 420.2)*

18. Robson Rhodes and, in particular, Mr Williams, failed to conduct their audit with due skill, care, diligence and with proper regard to the technical and professional standards expected of them contrary to Fundamental Principle 4 of the ICAEW Guide to Professional Ethics.



**Cameron Scott**  
**Executive Counsel**  
**5 July 2011**

*I admit the above Formal Complaint*

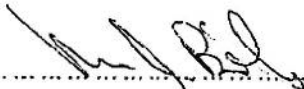


**Signed by Mr Glyn Williams**

8/7/11

**Date**

*The above Formal Complaint is admitted on behalf of Clearr LLP*



**Signed by Mr Mick Biles on behalf of Clearr LLP**

11/7/11

**Date**

