

RESPONSE TO FRC
FROM DAVID WILLIAM TAYLOR
PROFESSIONAL HAULIER, OLDHAM, MANCHESTER,
14 June 2019

FRC Request for Comments

Comments are invited in writing on all aspects of the Exposure Draft of ISA (UK) 570. In particular, comments are sought in relation to questions 1–10 below:

1. Has ISA (UK) 570 been appropriately revised to promote a more consistent and robust process in respect of the auditor's responsibilities in the audit of financial statements relating to going concern? If you do not consider this to be the case, please set out why? 2
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1. Has ISA (UK) 570 been appropriately revised to promote a more consistent and robust process in respect of the auditor's responsibilities in the audit of financial statements relating to going concern? If you do not consider this to be the case, please set out why?

1. I am replying to these questions with regard to my own experience (some forty years) and the fitness for purpose of my suppliers, as well as the standards to which they are required to adhere. These are Chartered Accountants and ICAEW members. I have relied on them to prepare and file proper accounts and for ensuring the stability and prosperity of my one hundred and twenty staff. I am a significant UK haulier, a business that has been a fore-runner in the use of technology in distribution, operating under extremely stringent licensing conditions.

2. These standards are enforced without debate. I do not see that the quality of the auditor can be separated from the quality of his work. KPMG, my supplier since 2011, has acted to get my license revoked. I now find that KPMG is able to act in this way because it's license does not get revoked, even though it is in the business of getting other people's licenses revoked.

3. In the distribution business, we do not have an option of "admitting" and paying a fine which is heavily discounted for "rapid payment", as our suppliers, such as KPMG, are able to do. I did not appreciate the risks I was running when we took them on in 2011, otherwise we would not have taken them on as supplier. Had KPMG had its license as auditor revoked before 2011, I would not have made the innocent error of hiring them. There is no public protection in this area.

4. No, the revision is not sufficient. I do not believe that "promotion" is appropriate or relevant. A "promotion" relates to selling soap powder, for example, in a three-for-two offer. I expect those preparing and auditing my accounts to get them correct without being the subject of promo. They have to decide what "process" to follow. If you have a good person, they will be a "safe pair of hands" and can be entrusted to make good decisions on process, e.g. check that someone is going to be in, before turning up, ensuring that if they are in the buildings when the buildings are locked up for the night they know how to get out, and so on and so forth.

5. KPMG has not been a "safe pair of hands." Behind my back, they went to my accountants and auditors, made off with my statutory books and records, changed my registered office address to their office (but not their registered office address). Overnight they made themselves shadow directors, accountants, tax agents, company secretary, auditors, registered address. They locked me out of my premises and stole the contents including computers and books and records. Until to-day (from 2017) they have not attempted to return stolen property.

6. When I sought to make a PII claim under my supplier contract, extra people turned up, who are not qualified as Chartered Accountants, in a department called “office of the general counsel”. They are “lawyers” and have acted to block my PII claim.

7. KPMG “lawyers” are responsible for the inadequate supplier contract which does not state who the insurance company is. Under provision of services acts and EU laws, KPMG must declare this in public places, from its office, in the contract. They should have replied immediately. It may be that they have published this, but whether they have or have not, these “lawyers” should have answered the question. KPMG lawyers are now communicating with KPMG customers through partners in “restructuring” who trade off instruments that pay out on the fraud and dishonesty of KPMG and its partners. It bemuses me that any insurance company would give them PII as KPMG Audit, knowing that they operate fraud/dishonesty instruments. I know that even if they have PII in KPMG Audit, it would be void if they obtained it by deception by hiding what they are really up to, and using assurance services to “get in” in order to steal.

8. In my group of three companies from March 2007, we had suppliers which included:
- a. external accountants,
 - b. an auditor,
 - c. a tax agent,
 - d. company registered office service,
 - e. Companies House filings service,
 - f. services checking our VAT returns which we prepared ourselves before we sent them in,
 - g. a lead internal accountant recommended by our external accountants and advisers,
 - h. shareholder and debenture holder liason services,
 - i. tax advice,
 - j. property structuring advice,
 - k. cash flow planning advice,
 - l. personal tax returns,
 - m. company secretarial advisory,
 - n. inheritance tax advice,
 - o. maintenance of statutory books services as well as ad hoc as and when required.

Directors and Company Secretaries were not externally supplied. We had accounts, administration, operations teams and managers. Suppliers are Chartered Accountants and the firm is registered with the Institute of Chartered Accountants in England & Wales.

I believe that such a set up is fairly common. The auditor was supplied by the same firm as the accountant. In 2011 I hired KPMG on the premise they are KPMG auditors because that was the problem I had with the Chartered Accountants who were/are my auditors. If the partner and manager they supplied are not practicing auditors, KPMG have a lot of explaining to do. If I have a problem with Chartered Accountants who are auditors, why would I go to KPMG unless they supply Chartered Accountants who are auditors? Plainly I would not. In my industry you must be qualified and experienced. It was new to me that in the world of Chartered Accountants and auditors this is not required. Also I must show my insurance, immediately there is an incident. KPMG hide theirs, and leave it out of the contract. If they are not adequately insured for supplying unqualified or inexperienced audit assurance work, I might have to make a “directors and officers” claim. KPMG stopped me doing this by cutting off all my insurances.

9. The business has a trading pedigree from 1977, is widely known, has a brand presence, had embraced technology from when it started to be used in distribution and has a quarter of a century head start over Ocado, in identical markets (albeit with European penetration stymied when KPMG got involved in 2011). The issue that we faced concerned “going concern” and auditors and accounts filed at Companies House. From April 2007 we traded on an incorporated basis having previously been unincorporated. The valuable brand name “T T Express” has remained throughout. It derives from Taylor Transport Express. The brand was trashed by KPMG in 2017 for no benefit to anyone, as far as I can see.
10. The Republic of Ireland Chartered Accountants and Registered Auditors of John Raymond Transport finally blew the whistle on KPMG when the audited accounts were published at Companies House. These revealed no “fixed asset investment” additions. KPMG had publicised that it had sold my business, goodwill and undertakings, trading as, TT Express (Oldham) Limited to John Raymond Transport, when it was not theirs to sell. What they advertised and reported was therefore not true. It was Chartered Accountants from the Republic of Ireland that blew the whistle on their attempted theft. In 2019 they purported to sell the land and buildings to another enterprise. Their ACCA auditor was told but did nothing.

2. Do you believe that the revisions appropriately address the public interest?

11. No I do not. This is because I believe that a supplier of audit assurance (including examination and reporting on how well or badly your own auditor has performed, so corrections can be made promptly before there is damage) must at least meet the standards of the customer. In haulage and distribution everything is recorded and monitored especially health and safety which has become more acute with automation. The public can check that I am registered to run a haulier business (or was) by looking at an official register.
12. When I came to find out how it was that KPMG were not advising me (or my company secretaries, to whom they have not even spoken), I looked up whether there was a statutory register and examinations to ensure that KPMG were honest and independent, as well as transparent about their networks including insurances and risk instruments, before they could be registered. Although I found there was provision for a UK register from 1984, I discovered that there is no register in the UK. I also discovered that those taking over the businesses of others and selling private and business estates which they did not own, contaminating the Companies House register en route, could still sell assurance services, as though they could improve on the efforts of incumbent auditors. I tried to ask the OFT about this but found they had been closed after referring auditors to the Competition Commission in 2011, for self interested behaviour. I also tried Oldham Trading Standards but found they were no longer accessible. They have created a blockade through a "charity" called "Citizens Advice", that is a payoll in a Call Centre, with unqualified staff who have no experience of crime.
13. Although a number of MPs in the Greater Manchester area are involved (and indeed spoken in Parliament on these events in September 2017) there is a problem because my home is under a different MP to where the offences took place. This means there is no one to help.
14. Here is the Directive that I found. The bold is mine:

Eighth Council Directive 84/253/EEC of 10 April 1984

Qualifications of persons responsible for carrying out the statutory audits of accounting documents: eighth Directive

1) OBJECTIVE

To complete the series of Directives concerning company accounts, defining the qualifications of persons responsible for carrying out the statutory audits of the accounting documents required by the fourth and seventh Directives.

2) ACT

Eighth Council Directive 84/253/EEC of 10 April 1984 based on Article 54(3)(g) of the Treaty on the approval of persons responsible for carrying out the statutory audits of accounting documents [Official Journal L 126 of 12.5.1984].

3) SUMMARY

Persons responsible for carrying out audits of accounting documents may, depending on the law of each Member State, be natural or legal persons or other types of company, firm or partnership.

The Directive applies to persons responsible for carrying out:

- statutory audits of the annual accounts of companies and firms and verifying that the annual reports are consistent with those annual accounts in so far as such audits and such verification are required by

Community law;

- statutory audits of the consolidated accounts of bodies of undertakings and verifying that the consolidated annual reports are consistent with those consolidated accounts in so far as such audits and such verification are required by Community law.

Persons responsible for carrying out audits of accounting documents must be of **good repute and may not engage in any activity incompatible with the auditing of such documents.**

A natural person may be approved to carry out statutory audits of accounting documents only after:

- having attained university entrance level;
- completed a course of theoretical instruction;
- undergone practical training; and
- passed an examination of professional competence of university, final examination level

organized or

recognized by the State.

Member States may nevertheless approve persons who do not satisfy some of the above conditions if those persons can show either:

- that they have, for 15 years, engaged in professional activities which have enabled them to acquire sufficient experience in the fields of finance, law and accountancy and have passed the examination of professional competence;
- that they have, for seven years, engaged in professional activities in those fields and have, in addition, undergone practical training and passed the examination of professional competence.

Member States must ensure that **approved persons are liable to appropriate sanctions if they do not carry out audits honestly and independently.**

Member States must ensure that the names and addresses of all natural persons and firms of auditors approved by them to carry out statutory audits of accounting documents are made available to the public.

Act Directive 84/253/EEC Date of entry into force 13.04.1984

Final date for implementation in the Member States 01.01.1990

4) implementing measures

5) follow-up work

On 21 May 2003 the Commission adopted a communication on reinforcing the statutory audit in the European Union [COM(2003)286 - Not published in the Official Journal].

Noting the progress made with regard to financial information, statutory audit, corporate governance and securities markets, the Commission, via this communication, would like to press ahead with its efforts and to set out its vision of a modern regulatory framework for statutory audits in the European Union and the new initiatives envisaged in this connection. Basically, these initiatives consist in: modernising the Eighth Company Law Directive; strengthening the regulatory framework in the European Union; **reinforcing at Community level public oversight** of the audit profession; imposing the use of International Standards on Auditing (ISAs) for statutory audits in the European Union as of 2005; **improving the systems of disciplinary sanctions**; establishing the **transparency of audit firms and networks of such firms**; as regards corporate governance, reinforcing audit committees and **internal control**; **strengthening auditor independence and introducing a code of ethics**; facilitating the establishment of audit firms and **examining auditor liability**.

Last updated: 06.08.2003

3. Will the revisions promote a more robust process?

for:

a) *Obtaining an understanding of the entity and its environment, the applicable financial reporting framework and internal control relevant to going concern?*

b) *Obtaining sufficient appropriate audit evidence in relation to the adequacy of management's assessment*

15. No. I believe that the contract is the most important aspect and that it should attach full CV's of those supplied together with their previous and current work, so that potential customers can go to other customers for a proper reference. I also believe all insurance contracts should be on websites, filed in the accounts in Companies House, provided in contracts. Plainly if KPMG uses KPMG Audit for statutory work, and that allows it to sell non audit, but audit advisory under a separate policy, customers should be told, so they can refuse to hire a non audit partner, and in any event, they should be able to claim on both policies.

4. In evaluating the directors' assessment should the auditor be required to consider a period longer than twelve months, and if so what should it be?

4. In making an assessment of going concern, the directors are required to consider a period of at least 12 months.

16. It is the directors severally who must do the evaluation, not the auditor. Therefore I do not agree. Also my auditor does not evaluate my assessment, as though he were marking my homework. He does not have forty years experience in haulier, distribution, automation, logistics health and safety, customer dynamics, supply chain management.
17. When I carry out such assessment I consider to-day until I retire or sell out. There is no point in doing anything else.
18. What I expect from my auditor (including those doing advisory work based on audit) is quite different. This is because they look for special issues, with quick ways for spotting if there is a problem. My business model is simple, because I get the entitlement to both bill and collect when I deliver. Systems are sufficiently automated that once the shipment and delivery vouchers are signed off, the rest is mechanical. We are profitable and cash generative.
19. Therefore if there is something odd, like my own accountant and auditor filing accounts in Companies House for the first period, reporting my companies as not being a “going concern” from the first incorporated period, I would expect KPMG, were they experts, to tell me at once. Certainly they should have smelt a rat, and reported, even before signing up. I believe it is conventional before offering to do work, to carry out such investigations, and reference these in the supplier’s proposals, together with what they needed to do about it. 2011 until 2019 is too long to have not even got started, although I have been billed and paid all bills.

5. the entity's ability to continue as a going concern

5. Is it sufficiently clear from the revisions to the standard that the auditor is required to first identify whether there are events or conditions that may cast significant doubt on the entity's ability to continue as a going concern before considering whether there are factors which may mitigate those events or conditions?

20. No that is not correct. The auditor (/adviser on the work of an auditor) must look at the Companies House filings first of all, and then all the registers of documents available on public inspection. He should also warn if he finds errors, such as the Companies House registrar having certified a debenture which does not in fact exist.
21. Additionally he should explain. It was not until I contacted Companies House that I discovered that they keep no records of what the Registrar saw, when the “certification” was made, who by, which shift. Further they have no error correction. KPMG should have told me in 2011.

6. Do the proposals sufficiently support the appropriate exercise of professional skepticism throughout procedures?

6. Do the proposals sufficiently support the appropriate exercise of professional skepticism throughout the risk assessment procedures, evaluation of management's assessment and evaluation of audit evidence obtained?

22. No they do not even begin. In my example because KPMG did not highlight errors by my auditors on going concern, or propose corrections, I had to close down two major lines of business, i.e. radical retrenchment. This was ridiculous since in 2007, I had started by exchanging property worth £850k (smaller) for property worth £600k (larger) with cash adjustment. I was cash generative and profitable. The markets were good and improved.
23. I did not realize (but KPMG could have told me), that banks were carrying out shadow operations, deliberately generating loss making swap transactions, matching the mark-to market loss with an equivalent made-up asset, taking up front profit, paying commissions on selling fictitious loan, paying bonuses on performance of made up "investments", seeking to make the loss stick on the customer, treat the customer's property as that of the bank, so they recover, the notional principal sum underpinning the swap.
24. In essence, without knowing it, I was turned into an underwriter of global risk in the financial markets, forced to labour for those executing the transactions, and was groomed for my estate to disappear. This really began to make sense when I realized that the FCA had fined BNY Mellon £126m for the fact KPMG allowed it to operate without safeguards on safe-custody estates of its eight thousand professional customers, whose ultimate customers were oblivious of the risks KPMG was creating by not focussing on existence of books and records.
25. I believe KPMG should have been fined £126m not BNY Mellon, who were, with their directors the victim of KPMG. The result of this cavalier approach in my events, was that after I hired KPMG I was compelled to shut down our warehousing and distribution operations and focus on the lower margin, full load haulier operation. Notwithstanding this devastating retrenchment, against all the odds and obstacles created by KPMG, we nevertheless succeeded by 2015 TT Express (Oldham) Ltd in being awarded Tesco Haulier of the year.
26. It is my belief that a supplier should remain a supplier, must serve the customer honestly, say what the auditor errors are, not plot the downfall of that customer. On these events by mid 2016, KPMG had hooked up with "FRP Advisory LLP" which is recorded as a financially unstable phoenix of Vantis. Together they operate secret schemes involving getting a number from the Department of Business, Energy and Industrial Strategy, which entitles them to requisition cheques from the Insolvency Service Account, and pay money to whom so ever they choose. This money comes from selling what they do not own. This should be a matter for the National Audit Office and police, not for the public, especially without the OFT.

7. Proposals for auditors of all entities to explain and conclude on going concern?

7. Do you agree with the proposals for auditors of all entities to provide an explanation of how the auditor evaluated management's assessment of going concern (including key observations) and to conclude on going concern in the auditor's report?

27. No, they should be concerned solely with whether the forecasts agree to the books of prime record and whether the going concern basis of valuation of the past was true and Companies House and statutory records all consistent.

28. Moreover they should be independent, not coming in "as though" auditors and advisers reviewing incumbent auditors, accounts, records, going concern and, once inside the business, turn into something else, making off with revenues, cutting off all suppliers, not paying the wages, and on my events, sending trucks on hire purchase back to Close Brothers. This problems could not have arisen had they given full insurance details; full CV's; they were on a statutory register, and did not operate in the business of selling off other people's estates and pushing such activity through state accounts, as though it could conceivably be acceptable. Although KPMG say they are auditors, they behaved as though they are not. I am indemnified out of the assets of my companies, including goodwill and land and buildings, so on what conceivable basis could they believe they could vandalize or trade in these, without my authority? This is a big problem for EY who are the auditors of CYBG, because damages and loss of opportunity reparation, hit CYBG in the first instance. I find the industry most disconnected, with no consistent standards or independence of mind.

8. Do the proposals suit to the audits of entities with a wide range of sizes, complexities and circumstances?

8. Are the requirements and application material sufficiently scalable, including the ability to apply ISA (UK) 570 (Revised) to the audits of entities with a wide range of sizes, complexities and circumstances?

29. Statutory compliance including going concern is black and white and the same however many zeros there are in the turnover figure. Financial dependence on third parties is an absolute no-no, since one loses control over one's own destiny, and going concern work goes for nothing because someone else is pulling the strings. It should be possible to live without getting caught up in all these alternative agendas. Certainly the auditor of a bank or safe custody operation should be looking at contracts with the privately wealthy and wealthy SMEs, This would be to see whether parallel accounts are in operation, or accounts run using someone's name but without their knowledge and/or authority.

30. BEIS and INSS are already doing this (opening secret accounts in the names of High Value Targets, HVTs) and giving their numbered agents authority to traffick the public's estates. Until this operation, masterminded in Birmingham, (zone of West Midlands police), is shut, no one, it seems to me, is safe. It is necessary to have a Bank of England license for the courts or BEIS to take in deposits. BEIS, INSS, Companies House all have private sector boards, which is one reason that there is no state curtailment of this wrong doing.

9. Do you agree with the proposed effective date?

9. Do you agree with the proposed effective date (aligned to the effective date of ISA (UK) 540 (Revised December 2018)?

31. No. "Effective dates" are irrelevant. For example my enterprises are incorporated under the 1985 Companies Act. KPMG put themselves in court in September 2017, just after INSS published evidence from John Milsom and hid the evidence of Willis, KPMG supplier. Whatever happened in the Companies Act 2006 is wholly irrelevant to me. They claim Enterprise Act 2002 activity ("rescue"). However that comes with the OFT as prosecutor and without does not function. OFT was closed in 2012. The Act abolished administrators. It invented "definitions" "appointments" "accepting appointment by consenting" resigning if discovering later that they are not independent" . It required at least going into court to establish what further information and explanations were required, on notice to me to object.

32. Needless to say, KPMG omitted all such statutory niceties, but bought bonds to keep BEIS prosecutors at bay. BEIS does "conduct" and "complaints" but no means to impose on me.

10. Do you agree with the withdrawal of previous Bulletins?

10. Do you agree with the withdrawal of Bulletins 2008/1 and 2008/10 as set out in paragraph 1.20? Is there guidance in these Bulletins which has not been included in the revised standard which remains useful and should be included?

33. FRC should see where it started all this with independence, ethics and a state register. The rest in between can go. Companies and private estates are tumbling because of the schemes that BEIS is running – all it has to do is to stop and save up to pay the damages, unless insurers as those secret ones of KPMG pay up. FRC should worry that "auditors" may have void or voidable insurance because they run schemes that pay out on their fraud/dishonesty which are kept secret by BEIS.

11. What mechanisms should the FRC employ to ensure there is widespread awareness of the Director's responsibilities in respect of going concern?

34. Try talking to them, or even meeting them. Most directors don't bite. Directors have no technical support from anywhere. ICAEW is part of the bonds scheme, has copies but refuses to hand over the vouchers or insist they are filed in court. It is now part of the problem.

David William Taylor - Professional Haulier Woodstock Depot Oldham

*Responses should be sent to AAT@frc.org.uk and marked for the attention of Kate Dalby.
Responses should be received by 5pm on Friday 14 June 2019.*