

## Forensic Accounting case studies



### 1

#### Matrimonial valuations

- Prepared reports showing the valuation of a company involved in distribution and database management at three potential Relevant dates. Also included comments on current resources of the Pursuer and his ability to pay a capital sum to the Defender.
- Instructed by solicitors acting for the Pursuer in a matrimonial action. The Defender had had a number of business interests, but the assets held by them had been repeatedly transferred to foreign jurisdictions resulting in difficulties in obtaining full financial information. A lack of cooperation from the Defender resulted in limited information being provided by way of Specifications of Documents. Report prepared giving information on the share and asset transfers as well as an indicative value for the Defender's interests on the basis of the limited available information.
- Instructed by solicitors acting for the Pursuer. The Pursuer and Defender were co-owners of a company at the Relevant date. Since the Relevant date the company had been liquidated. The reasons for liquidation were disputed by the Pursuer. We were asked to report upon the value of the company at the Relevant date and the apparent reasons for liquidation.
- Instructed by solicitors for the Defender to value, at the Relevant date, the Defender's interests in deferred share plans and deferred bonuses as they related to the period prior to the Relevant date and commenting upon a report prepared by the expert appointed by the Pursuer. This included holding a meeting with the other expert and preparing a note setting out our areas of agreement and disagreement (sometimes referred to as a 'Scott Schedule') which assisted the parties in their negotiations by focussing on the true areas of difference.
- Instructed by solicitors for the Defender we analysed accounting and banking records in order to identify whether or not the Defender's concerns that the Pursuer had been diverting matrimonial assets.

### 2

#### Consequential loss (including professional negligence and personal injury)

- Instructed by the solicitors for a public sector body to prepare a number of reports in relation to a claim for loss flowing from defects in the construction of a building. This included estimating losses and costs under a number of scenarios to assist negotiations. The claim settled shortly after mediation allowing the Pursuer to go ahead with remedial works and reopen the building.
- The preparation of an expert accounting report for the Pursuer in an action in relation to alleged breaches of a franchise agreement. This included detailed testing of significant volumes of stock, sales and purchases information in electronic format and reducing this information into readily comprehensible formats.

- Instructed on behalf of an individual claiming under a financial services redress scheme to calculate his losses as a consequence of being unable to purchase a company out of administration. This included considering a range of potential scenarios and the related financial consequences.
- Instructed by the Defender's solicitors on behalf of their professional indemnity insurers, prepared a report on the cost today of the Pursuer having to incur significant expenditure at the end of a 30 year lease and compared this to the cost of incurring capital expenditure at the beginning of the lease. Report included considering an appropriate discount rate for the Pursuer.
- Instructed by solicitors on behalf of the insurers in a personal injury action raised by a private investigator who operated as sole employee/ director of a limited company. Poor trading results in the year immediately prior to the accident were investigated and evidencing the Pursuer's ability to turn the business around particularly given his age (60 at date of accident) added further complexity.
- Instructed by solicitors acting for Pursuer, a self employed joiner/ builder who was injured in a road traffic accident and was unable to return to work. The nature of the Pursuer's injuries meant that he was unable to explain his business to us. We contacted another joiner who had worked with the Pursuer and was knowledgeable in terms of the type of work being undertaken by the Pursuer and the nature of the market. This allowed us to make reasoned assumptions as to the type and level of work that the Pursuer might have undertaken but for the accident.

### 3

#### **Investigations (including insolvency related)**

- Following instruction by the creditors' committee of a company in liquidation, investigated and reported upon the failure of the company, which was involved in the travel industry, and the reasons for the creditors' losses being extensive
- Instructed by the liquidator of an insolvent company to review bank statements and publicly available documentation to identify potentially challengeable transactions in the period immediately prior to the appointment of a liquidator. Also involved considering relationships between allegedly unconnected parties.
- The investigation into the activities, prior to the appointment of liquidators, of a company in the sport and leisure industry which was in liquidation, with a view to determining if there was any evidence of wrongful or fraudulent trading. This included review of electronic evidence, consideration of accounting records including management accounts and interviews with former directors.
- Prepared a report on the alleged manipulation of invoices and accounting entries by two directors of a company. This involved reviewing emails and other documents and preparing chronologies for specific transactions to demonstrate the involvement of individuals and the effect of those transactions on the company's financial statements and position.
- Prepared a report for the Board of a company on the actions of certain employees after a whistleblowing letter and other, separate actions raised suspicions. This included a review of back ups of work email accounts and documents saved on work computers as well as open source research to establish connections between the employees and other relevant individuals/ businesses. The report was used to inform the Board's decision to dismiss the employees following employment law advice from the Board's solicitors. Along with Henderson Loggie's internal audit team, provided the Board with suggestions of control improvements and additional controls to be implemented to reduce the likelihood of repeat issues.