Dear Sir Philip,

Evidence for BHS as a going concern

Mr Justice Nicklin delivered his verdict in the case of Taveta v FRC on 2 July 2018. He rejected Taveta’s request for an injunction but noted in his verdict that the FRC’s report “make[s] implied criticisms of Taveta Personnel.”¹ The FRC has now published its findings.

It is clear from the FRC’s report that Taveta’s auditors failed in their duty to find sufficient evidence to give assurance that the financial statements were free from material misstatement, whether caused by fraud or error. The FRC found material misstatements in the 2014 financial statements for both Arcadia and Taveta.²

Central to the FRC’s findings is the use of the going concern basis in the preparation of the 2014 BHS accounts. Whilst it was PwC’s job to challenge management assumptions about the going concern basis, it was management’s job to prepare the necessary assessment to support that basis. The FRC found that the auditors failed to obtain “an assessment of how BHS was likely to remain a going concern in the event it was sold and no longer receiving support from the Taveta Group”.³

Taveta clearly feel that any implied suggestion that they had not made such an assessment is unfounded. I would therefore like to invite Taveta to publish your going concern assessment to prove that there was indeed a suitable case for presenting BHS as a going concern.

¹ Taveta v Financial Reporting Council, 29 June 2018, para 61i)
² Financial Reporting Council, BHS - Particulars of Facts and Acts of Misconduct, paras 52 and 55
Best wishes

Rt Hon Frank Field MP
Chair