

## THE FORENSIC ACCOUNTING TEAM



**Jeremy Harbinson**  
Commercial litigation and  
criminal investigations



**Paul Mulholland**  
Commercial litigation and  
criminal investigations



**Dearbhail Beatty**  
Personal injury and  
litigation support



**Nora Tallon**  
Personal injury and  
matrimonial cases



**Jill Lennon**  
Criminal and civil cases



**Brendan Dwyer**  
Commercial litigation and  
criminal investigations



**Lee Surgeoner**  
Data recovery, systems  
interrogation, and data  
risk reviews



**Darren McDowell**  
Professional and  
negligence cases

Commercial litigation, money laundering and fraud cases, contact  
**Jeremy Harbinson Paul Mulholland Brendan Dwyer**

Personal injury, employment rights and matrimonial cases contact  
**Jeremy Harbinson Dearbhail Beatty Nora Tallon**

IBM House, 4 Bruce Street, Belfast, BT2 7JD. Tel: 028 9044 5100 Website: [www.harbinson-mulholland.com](http://www.harbinson-mulholland.com)

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# h Insight

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## Acting for the defendant



### - FUEL SMUGGLING

Customs and Excise V Road haulier

### - LOSS OF PROFITS

Motor trade V Software provider

### - FORENSIC ACCOUNTING TEAM

Leading experts in Northern Ireland

# 17

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## ACTING FOR THE DEFENDANT

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### CASE STUDY 1:

**Large road haulier assessed for c£200,000 of fuel duty on alleged smuggled fuel**

#### Background

- We were instructed by solicitors acting for the road haulier.
- Customs alleged that the haulier was storing fuel purchased in ROI and running his fleet of trucks on this decanted fuel.
- The assessment totalled nearly £200,000 plus 25% penalties.
- The haulier had already paid the entirety of this amount to Customs to avoid any interest but wanted us to review the Customs calculations.

#### Key issues

- The fuel purchasing pattern may not have been as assumed by Customs.
- Of the 5 separate assessments, it was not clear how one had been calculated.
- The Customs assessment in general was based on a number of key assumptions.

#### Our approach

- Use of staff with specific industry experience.
- Focus on the key assumptions used by Customs which were fundamental to their calculations.
- Gain a practical understanding of how the haulier operated his business on a day to day level.
- Analyse in detail the movements of lorries and the amount of fuel allegedly purchased by each vehicle.

#### Result

- Our investigation found that the assumptions used by Customs in their calculations were not appropriate.
- As a result, all funds paid by the haulier were repaid by Customs as well as all professional fees.
- Our understanding of the detail of the facts was key to us achieving this result.
- **This was not a negotiated settlement; the haulier was repaid 100% of his initial payment.**

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## ACTING FOR THE DEFENDANT

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### CASE STUDY 2:

**Claim against software provider by motor trade for loss of profits**

#### Background

- We were appointed by the solicitors acting for the software company.
- The software company had installed a computer system at a motor dealer to assist in the running of the business, which also included an agricultural division.
- The system would cover all areas of the business including vehicle stock, service, parts and general overheads.

#### Key issues

- There was a disagreement as to why the system did not operate as anticipated.
- The Plaintiffs had appointed forensic accountants who calculated the loss of profit to be over £200,000.
- There was a lack of sufficiently detailed documentation to properly analyse the different areas of the business.
- The audited accounts showed a fall in profit trends soon after the system was installed.

#### Our approach

We used staff with specific industry experience of the trade at the time covered by the claim to investigate the following:

- Were there other industry specific factors which could have explained the fall in profits?
- Which areas of the dealership would actually be affected by a computer system not working as anticipated and what was the proportion of this to total dealership profit?
- What were the actions of the Plaintiff staff over the relevant period?
- Were the problems described by the Plaintiff caused by other factors and how did these potentially affect profit?

#### Result

- We concluded that industry specific factors existed which could have contributed to the fall in profits.
- We identified that the profitability of some of the main areas of the business should not have been directly affected by the computer system.
- Some parts of the Plaintiff's claim were weak and could not be proved.
- **An out of court settlement was reached at 15% of the amount shown in the Plaintiff's forensic accountants report.**