# When reported strength diverged from contract and cash reality

Carillion plc | United Kingdom | Provision 2017 | Compulsory liquidation January 2018

| CONTRACT PROVISION | LIABILITIES | CASH AT LIQUIDATION | PROFIT EQUIVALENT |
|---|---|---|---|
| **£1.045bn** | **Nearly £7bn** | **£29m** | **Previous 7 years** |
| S01 | S01 | S01 | S01 |

## DOCUMENTED EVENT

Carillion published its 2016 accounts on 1 March 2017. On 10 July it announced an £845 million provision against contract values, increased to £1.045 billion in September - equivalent to the company's previous seven years' profits combined. Carillion entered compulsory liquidation in January 2018 with nearly £7 billion of liabilities and £29 million cash. The FRC later found serious failures in KPMG's audits, including insufficient evidence and inadequate challenge of management judgements. [S01 | S02]

**NFRISK SCENARIO ADAPTATION - NOT AN EXTERNAL FINDING**

Contract judgements, cash conversion and reported performance diverge, while governance and external assurance do not force timely recognition of the accumulating position.

## STRESS-TEST QUESTIONS

**01** Can contract judgements be reconciled to cash and delivery evidence?

**02** Are exceptions aggregated across the portfolio for board challenge?

**03** Does assurance test management estimates with sufficient independent evidence?

**04** Which indicators would force earlier reassessment of contract value, liquidity and going-concern assumptions?

**CONNECTED RISK**

Conduct & Governance Risk (primary)
Data & Control Integrity (contributing)
Operational Resilience & Delivery Risk (contributing)

**FRAMEWORK RELEVANCE**

COSO ERM lens: Performance & Review
NFRisk maps contract-estimate challenge, portfolio aggregation and assurance evidence to COSO's Performance and Review & Revision components. This is analytical, not a parliamentary or FRC classification. [S03]

**NFRISK PRACTITIONER INTERPRETATION**

Contract accounting and cash evidence should be reconciled through independent challenge, with exceptions aggregated at portfolio and board level rather than reviewed one contract at a time.

## PRIMARY-SOURCE REGISTER

S01 UK House of Commons Work and Pensions and BEIS Committees (2018)
Carillion: Second Joint Report of Session 2017-19

S02 Financial Reporting Council (2023)
Sanctions concerning KPMG's Carillion audits

S03 COSO / Basel Committee / NIST (2017)
Authoritative risk-management framework referenced in the...

EVIDENCE BOUNDARY Official findings are separated from the institutional scenario, framework interpretation and NFRisk practitioner view.