

Recent Enforcement sanctions imposed against Audit firms and Audit partners

[NB: the dates referred to relate to: (1) when a settlement was approved by the Tribunal Chair (in Scheme cases); (2) when a Tribunal Report was signed (in cases which are determined by the Tribunal); or (3) when the Final Decision Notice was served (in AEP cases)]

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| Date | 31 March 2022 |
| Member / Member Firm Role | PricewaterhouseCoopers LLP (Statutory Audit Firm) Jonathan Hook (Audit Partner) |
| Audited Entity | Galliford Try Plc |
| Sanction(s) / costs Imposed | <p>PwC:</p> <ol style="list-style-type: none"> 1. A financial sanction of £5.5 million, adjusted for aggravating/mitigating factors (in particular reflecting an exceptional level of cooperation) by a reduction of 15% and further discounted for admissions/early disposal by 35% to £3,038,750; 2. Non-financial sanctions, comprising: <ol style="list-style-type: none"> a. A Severe Reprimand; and a declaration that the Statutory Audit Reports for FY2018 and FY2019 did not satisfy the Relevant Requirements. <p>Mr Hook:</p> <ol style="list-style-type: none"> 1. A financial sanction of £150,000 adjusted for aggravating/mitigating factors (in particular reflecting an exceptional level of cooperation) by a reduction of 15% and further discounted for admissions/early disposal by 35% to £82,875. 2. Non-financial sanctions, comprising: <ol style="list-style-type: none"> a. a Severe Reprimand; and b. a declaration that the Statutory Audit Reports for FY2018 and FY2019 did not satisfy the Relevant Requirements. <p>Costs:</p> <p>The Respondents also agreed to pay the FRC's costs of the investigation being £316,495.</p> |

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| <p>Summary of Misconduct / breach of Relevant Requirement</p> | <p>At the time of the FY2018 and FY2019 Audits, the Company was one of the UK's leading housebuilding, regeneration and construction groups. The valuation of construction contracts was identified as a significant risk in the Audits. In the 2019 Audit an additional significant risk - that the recognition of material variations and claims on contracts may not be appropriate - was identified. PwC and Mr Hook have admitted breaches of Relevant Requirements as follows:</p> <p>(i) In respect of the Audits, in relation to the audit of the revenue and costs recognised on a large and complex long term construction contract. The breaches relate to compliance with applicable accounting standards; insufficient challenge of management's assertions and lack of professional scepticism; the sufficiency and appropriateness of audit evidence obtained; and the extent of documentation included in the audit file.</p> <p>(ii) In respect of the 2018 Audit only, in relation to: (a) the appropriateness of the Company's accounting treatment for revenue and costs recognised on three long-term construction contracts; lack of professional scepticism; sufficiency and appropriateness of the audit evidence obtained and the documentation of the auditor's considerations; (b) audit documentation in respect of the appropriateness of transactions with a joint venture being included in operating cash flows; (c) the selection and testing of construction contracts; and (d) the documentation and testing of controls over aspects of the Company's accounting for long-term contracts.</p> |
| <p>Useful link(s)</p> | <p>Press Notice</p> <p>Final Decision Notice</p> |

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| Date | 29 December 2021 |
| Member / Member Firm Role | (1) KPMG LLP (Statutory Audit Firm) (2) Michael Neil Frankish (Audit Engagement Partner) |
| Audited Entity | Revolution Bars Group Plc (“the Company”) |
| Sanction(s) / costs Imposed | <p>KPMG: (1) A financial sanction of £1,250,000 (adjusted for aggravating and mitigating factors and discounted for admissions and early disposal by 30% to £875,000); (2) A Severe Reprimand; (3) A declaration that the reports signed on behalf of KPMG in respect of the Audits did not satisfy relevant standards; and (4) A requirement for KPMG to analyse the underlying causes of the breaches of relevant standards, to identify and implement any remedial measures necessary to prevent a recurrence, and to report to the FRC at each stage of the process.</p> <p>Mr Frankish: (1) A financial sanction of £50,000 (adjusted for aggravating and mitigating factors and discounted for admissions and early disposal to £35,000); (2) A Severe Reprimand; and (3) A requirement for Mr Frankish, who moved to another firm in 2017, to analyse the underlying causes of his role in the breaches of relevant standards, to identify and implement any necessary remedial measures as part of his appraisal and personal development arrangements, and to report to the FRC at each stage of the process.</p> <p>The Respondents also agreed to pay the FRC’s costs of the investigation, amounting to £69,000.</p> |
| Summary of Misconduct / breach of Relevant Requirement | <p>The Respondents have accepted failures in their work on it’s FY2015 and FY2016 audits (“the Audits”) of the Company, a leading UK operator of premium bars and a newly listed entity.</p> <p>The failings relate to three specific areas of the Audits: supplier rebates and listing fees; share-based payments; and (for FY2016 only) deferred taxation.</p> <p>The Company’s financial statements for FY2015 and FY2016 contained various misstatements which had to be corrected, some of which arose in respect of the areas where there were failings, and some of which were material to the financial statements as a whole. Consequently, the Audits failed to achieve their principal objective of providing reasonable assurance that the financial statements were free from material misstatement.</p> |

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| | <p>The failings in respect of supplier rebates and listing fees were aggravated by the fact that the FRC had made auditors aware, through publications in 2014 and 2015, that such complex supplier arrangements were an area of particular audit risk and would be a focus of its inspection activity.</p> <p>These were serious breaches and, in certain cases, of a basic and/or fundamental nature and persisted for two successive audit years. A number of breaches related to the auditor’s failure to exercise professional skepticism. However, none of these breaches were not intentional, dishonest, deliberate or reckless.</p> |
| <p>Useful link(s)</p> | <p>Press Notice</p> <p>Final Decision Notice</p> |

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| Date | 24 December 2021 |
| Member / Member Firm Role | (1) KPMG LLP (Statutory Audit Firm). (2) Mr Anthony Sykes (Audit Engagement Partner) |
| Audited Entity | Rolls-Royce Group plc (the company) |
| Sanction(s) / costs Imposed | <p><u>KPMG:</u></p> <ol style="list-style-type: none"> 1) A financial sanction of £4.5 million adjusted for admissions and early disposal to £3,375,000; and 2) Non-financial sanctions, comprising of: <ol style="list-style-type: none"> i) requirement that KPMG shall commission a review by an appropriate external independent expert of the effectiveness of the firm's policies, guidance and procedures for audit work in the area of an audited entity's compliance with laws and regulations; ii) Severe Reprimand; and iii) a declaration that the Statutory Audit Report for the Audit did not satisfy the Relevant Requirements. <p><u>Mr Sykes:</u></p> <ol style="list-style-type: none"> 3) A financial sanction of £150,000 adjusted for admissions and early disposal to £112,500; and 4) Non-financial sanctions, comprising: <ol style="list-style-type: none"> i) a Severe Reprimand; and ii) a declaration that the Statutory Audit Report for the Audit did not satisfy the Relevant Requirements. <p>KPMG will also pay Executive Counsel's costs of the investigation.</p> |
| Summary of Misconduct / breach of Relevant Requirement | <p>The Adverse Findings against each of the Respondents relate to failures to address matters identified in the Audit which indicated risk of non-compliance by the Company with laws and regulations. The matters concerned two sets of payments made by the Company to agents in India. These payments gave rise to allegations of bribery and corruption which later formed two (out of twelve) counts in a Deferred Prosecution Agreement with the Serious Fraud Office in 2017, under which Rolls-Royce plc paid large fines.</p> <p>Allegations of bribery and malpractice through the use of intermediaries and 'advisers' in the defence field were prominent at the time of the Audit, including that in March 2010 [Defence</p> |

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| | <p>Company A] paid large fines to settle US and UK criminal investigations resulting from the use of intermediaries. KPMG were well aware of these matters having also been auditors of [Defence Company A].</p> <p>The Adverse Findings, which were accepted by the Respondents, amounted to serious failures to exercise professional scepticism, to obtain sufficient, appropriate audit evidence and document this on the audit file, and to achieve sufficient Engagement Quality Control.</p> <p>Executive Counsel does not assert that the breaches resulted in the financial statements being materially misstated. Furthermore, the breaches were limited to a discrete (albeit important) area of the Audit for one financial year.</p> <p>The FRC's investigation announced on 4 May 2017 was into KPMG's conduct of the audits of the financial statements of Rolls-Royce Group plc for the year ended 31 December 2010 and of Rolls-Royce Holdings plc for the years ended 31 December 2011 to 31 December 2013. No findings of breaches have been made in respect of the audits for the years ended 31 December 2011 to 31 December 2013.</p> |
| <p>Useful link(s)</p> | <p>Press Notice</p> <p>Decision Notice</p> |

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| Date | 20 December 2021 |
| Member / Member Firm Role | PricewaterhouseCoopers LLP (Statutory Audit Firm) Jonathan Hook (Audit Partner) |
| Audited Entity | Kier Group Plc |
| Sanction(s) / costs Imposed | <p>PwC: (1) A financial sanction of £3.35 million (adjusted for mitigating factors, admissions and early disposal to £1,959,750); (2) non-financial sanctions requiring PwC to evaluate and report to the FRC on certain audits conducted in 2022-2023 which feature long-term contracts and the impact of remedial actions put in place; (3) a Severe Reprimand; and (4) a declaration that the Statutory Audit Report did not satisfy the Relevant Requirements.</p> <p>Jonathan Hook: (1) A financial sanction of £90,000 (adjusted for mitigating factors, admissions and early disposal to £52,650); (2) a Severe Reprimand; and (3) a declaration that the Statutory Audit Report did not satisfy the Relevant Requirements.</p> <p>The Respondents also agreed to pay the FRC's costs of the investigation, amounting to £442,000.</p> |
| Summary of Misconduct / breach of Relevant Requirement | <p>The Respondents admitted to breaches of Relevant Requirements in relation to the audit of long-term contracts within the Company's Construction division. Contract accounting was identified as a significant risk during the planning of the Audit and was a Key Audit Matter in the Auditor's Report.</p> <p>In relation to four long-term contracts, the Respondents failed to:</p> <ul style="list-style-type: none"> - obtain sufficient appropriate audit evidence; - perform adequate testing or carry out substantive procedures on the Company's accounting estimates; and - prepare sufficient audit documentation to support conclusions reached and carry out the Audit with sufficient professional scepticism. <p>Separately, the Respondents failed to identify and correct errors in the Company's income and cash flow statements relating to the presentation of gains on corporate disposals completed in</p> |

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| | <p>the 2017 financial year. This error caused the 2017 financial statements to be misstated.</p> <p>None of the breaches set out in the Decision Notice were dishonest, deliberate or reckless and the Respondents did not derive any financial benefit from the alleged breaches, aside from the audit fees.</p> |
| Useful link(s) | <p>Press Notice</p> <p>Final Decision Notice</p> |

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| Date | 2 December 2021 |
| Member / Member Firm Role | Nicola Quayle (Statutory Auditor) KPMG (Statutory Audit Firm) |
| Audited Entity | Conviviality plc |
| Sanction(s) / costs Imposed | <p>KPMG: (1) A financial sanction of £4,300,000 (discounted for admissions and early disposal by 30% to 3,010,000); (2) A severe reprimand (3) A declaration that the Audit report did not satisfy the audit reporting requirements for the reasons set out in the Final Decision Notice; and (4) A non-financial sanction requiring KPMG to report to the FRC identifying the causes of the deficiencies in the 2017 Audit and the steps and remedial action which the firm has taken to prevent reoccurrence of those deficiencies.</p> <p>Nicola Quayle: (1) A financial sanction of £110,000 (adjusted upwards by 5% for aggravating factors and discounted for admissions and early disposal by 30% to £80,850); and (2) A severe reprimand.</p> |
| Summary of Misconduct / breach of Relevant Requirement | <p>The failings admitted by the Respondents in relation to the 2017 Audit relate to a number of areas:</p> <ol style="list-style-type: none"> 1. A failure to revise, in light of information obtained during the 2017 Audit, their initial assessment of the risks of material misstatement to the financial statements, to design and perform audit procedures responsive to the risks of material misstatement due to fraud, and adequately to document their audit procedures in respect of the risk assessment and fraud risk assessment. 2. A failure to obtain sufficient appropriate audit evidence: <ol style="list-style-type: none"> a. in relation to the recognition by Conviviality of £5.9m as accrued franchise licence revenue in FY17; b. in relation to the accounting treatment adopted in respect of a third-party contract for the supply of wine; c. in relation to the capitalisation of certain costs and the classification of certain items as |

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| | <p>exceptional, in accordance with the Company's accounting policy;</p> <ul style="list-style-type: none"> d. in relation to several items of accrued supplier income; and e. in order to gain reasonable assurance that the carrying value of the goodwill of each cash-generating unit in the Conviviality group had not been impaired. <p>3. A failure to apply sufficient professional scepticism in relation to the recognition of accrued franchise licence revenue, the accounting treatment adopted in relation to the third-party wine supply contract, and in the course of performing their audit procedures in relation to goodwill impairment.</p> <p>4. A failure adequately to document their audit procedures in a number of these areas.</p> <p>The admitted failings in the 2018 Audit concern failures to document the decision to prepare a Financial Position and Prospects Procedures report to Conviviality (non-audit services) during the period of the FY2018 Audit, which breached the FRC's Revised Ethical Standard 2016.</p> |
| <p>Useful link(s)</p> | <p>Press Notice</p> <p>Final Decision Notice</p> |

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| Date | 16 November 2021 |
| Member / Member Firm Role | Deloitte LLP (Statutory Audit Firm) John Charlton (Audit Partner) |
| Audited Entity | Mitie Group Plc |
| Sanction(s) / costs Imposed | <p>Deloitte: (1) A fine of £2 million (adjusted for admissions and early disposal by 28% to £1,450,000); (2) non-financial sanctions requiring Deloitte to report to the FRC on the impact of remedial actions taken since 2016 on audits of goodwill; (3) a Severe Reprimand; and (4) a declaration that the Statutory Audit Report did not satisfy the Relevant Requirements.</p> <p>John Charlton: (1) A fine of £65,000 (adjusted for mitigating factors, admissions and early disposal by approximately 38% to £40,056.25); (2) a Severe Reprimand; and (3) a declaration that the Statutory Audit Report did not satisfy the Relevant Requirements.</p> <p>The Respondents also agreed to pay the FRC's costs of the investigation, amounting to £658,000.</p> |
| Summary of Misconduct / breach of Relevant Requirement | <p>The Respondents accepted failures in their work on the FY 2016 audit of the Company relating to impairment testing of goodwill in the Healthcare Division (identified by Deloitte as a significant risk for the audit and also identified in the audit report as one (of two) assessed risks of material misstatement).</p> <p>The Respondents:</p> <ul style="list-style-type: none"> - failed to obtain sufficient audit evidence to gain appropriate comfort regarding the future cashflows and the discount rate used in the impairment model; - failed to give sufficient consideration to the impact of working capital; failed to exercise sufficient professional scepticism; - failed adequately to document their audit work in relation to the discount rate; and |

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| | <ul style="list-style-type: none"> - allowed inadequate disclosures and incomplete statements to be included in the auditor’s report. <p>The financial statements therefore contained material uncorrected misstatements in relation to the headroom and/or carrying amount of the Healthcare Division.</p> <p>None of the breaches set out in the Decision Notice were dishonest, deliberate or reckless and the Respondents did not derive any financial benefit from the alleged breaches, aside from the audit fees.</p> |
| <p>Useful link(s)</p> | <p>Press Notice</p> <p>Final Decision Notice</p> |

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| Date | 10 August 2021 |
| Member / Member Firm Role | Grant Thornton UK LLP (Statutory Audit Firm) Simon J. Lowe (Audit Partner) |
| Audited Entity | Interserve Plc |
| Sanction(s) / costs Imposed | <p>GT: (1) A fine of £1.3 million (adjusted for aggravating and mitigating factors, in particular reflecting an exceptional level of co-operation, by a reduction of 15% and discounted for admissions and early disposal by 35% to £718,250); (2) non-financial sanctions requiring GT to report to its FRC supervisor for two years on the results of a monitoring programme of the quality of audit work on loss-making contracts; (3) a Severe Reprimand; (4) a declaration that the Statutory Audit Reports for the audits did not satisfy the Relevant Requirements; and (5) pay £467,780 in Executive Counsel's costs of the investigation.</p> <p>Simon J Lowe: (1) A fine of £70,000 (adjusted for aggravating and mitigating factors, in particular reflecting an exceptional level of co-operation, by a reduction of 15% and discounted for admissions and early disposal by 35% to £38,675); (2) a Severe Reprimand; and (3) a declaration that the Statutory Audit Reports for the Audits did not satisfy the Relevant Requirements.</p> |
| Summary of Misconduct / breach of Relevant Requirement | <p>The Adverse Findings against each of the Respondents (admitted at an early stage) concern the audit work performed on:</p> <ul style="list-style-type: none"> a substantial loss provision in the financial statements for FY 2015 and FY 2016 against an 'Energy from Waste' contract for the construction of a waste treatment facility. There were serious evidence and scepticism failings by the auditors in respect of key judgements and accounting estimates relevant to the loss provision, an area identified as a significant risk in the audit; and aspects of the auditors' assessments of going concern and goodwill impairment in the financial statements for FY 2017 (both having been identified, at planning stage, as areas of significant risk for the audit), where work on elements of the analysis of management's modelling of the financial data was inadequately performed or, in some respects, inadequately documented. <p>None of the breaches set out in the Decision Notice were dishonest, deliberate or reckless and the Respondents did not</p> |



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| | derive any financial benefit from the alleged breaches, aside from the audit fees. |
| Useful link(s) | Press Notice Summary of the Final Decision Notice |

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| Date | 29 July 2021 |
| Member / Member Firm Role | Grant Thornton UK LLP (Statutory Audit Firm) David Newstead (Engagement Partner) |
| Audited Entity | Patisserie Holdings Plc |
| Sanction(s) / costs Imposed | <p>GT: (1) A fine of £4 million (adjusted for aggravating and mitigating factors, in particular reflecting an exceptional level of co-operation, by a reduction of 10% and discounted for admissions and early disposal by 35% to £2.34 million); (2) non-financial sanctions requiring GT to report to the FRC annually for three years on: (i) GT's remedial actions and the impact on audit quality, including a root cause analysis; (ii) a review of the audit practice's culture relating to challenge, the actions taken as a result of the review and the impact of those actions on audit quality; and (iii) additional monitoring in relation to bank and cash audit work and any proposed remedial action; (3) a Severe Reprimand; (4) a declaration that the Audit report did not satisfy the Relevant Requirements as set out in the Final Decision Notice; and (5) pay £651,472 in Executive Counsel's costs of the investigation.</p> <p>David Newstead: (1) A fine of £150,000 (adjusted for aggravating and mitigating factors, in particular reflecting an exceptional level of co-operation, by a reduction of 10% and discounted for admissions and early disposal by 35% to £87,750); (2) a temporary prohibition of three years from carrying out Statutory Audits and signing Statutory Audit Reports; (3) a Severe Reprimand; and (4) a declaration that the Statutory Audit Report for each of the three years did not satisfy the Relevant Requirements as set out in the Final Decision Notice.</p> |
| Summary of Misconduct / breach of Relevant Requirement | <p>The breaches of Relevant Requirements related to four different areas of the Audit: (i) Revenue; (ii) Cash; (iii) Journals; and (iv) Fixed Asset Additions. In each of the three years, namely the 2015, 2016 and 2017 audits, there were serious breaches of Relevant Requirements that were often repeated year on year, and in relation to several legal entities. The breaches reveal a pattern of serious lapses in professional judgement, failures to exercise professional scepticism, failures to obtain sufficient appropriate audit evidence and / or to prepare sufficient audit documentation.</p> <p>The audits failed in their principal objectives of providing reasonable assurance that the financial statements were free</p> |

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| | <p>from material misstatement, whether caused by fraud or error. Had the Respondents conducted the audits over the three years in accordance with the Relevant Requirements, exercising appropriate professional scepticism and judgement and properly investigating the matters identified as calling out for investigation, they should have identified clear indicators of the risk of material misstatement due to fraud.</p> |
| <p>Useful link(s)</p> | <p>Press Notice – Final Decision Notice</p> <p>Final Decision Notice</p> |

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| Date | 12 July 2021 |
| Member / Member Firm Role | KPMG LLP (Member Firm) David Costley-Wood (Engagement Partner) |
| Entity | Silentnight Group Limited |
| Sanction(s) / costs Imposed | <p>KPMG: (1) A fine of £13 million; (2) a Severe Reprimand; (3) an order for KPMG to appoint an independent reviewer to conduct a Root Cause Review and for KPMG to conduct a review of their policies, procedures and training programmes in light of the results of the Root Cause review; and (4) pay £2,450,000 towards Executive Counsel's costs together with £305,814 towards the costs of the Tribunal.</p> <p>Mr Costley-Wood: (1) A fine of £500,000; (2) a Severe Reprimand; (3) exclusion from membership of the ICAEW for 13 years; and (4) preclusion from holding an insolvency licence for the same period.</p> |
| Summary of Misconduct / breach of Relevant Requirement | <p>The Tribunal made findings of Misconduct in respect of breaches of the fundamental principles of Objectivity and Integrity. It described the history of KPMG's involvement with Silentnight in this case as deeply troubling as KPMG failed to act solely in its client's interests, acted in fundamental respects contrary to those interests and in those of a party whose interests were diametrically opposed to those of Silentnight. It concluded that the lack of objectivity in this matter went to the core of the relationship between Silentnight and KPMG.</p> <p>Mr Costley-Wood assisted with a strategy designed to drive Silentnight into an insolvency process, or to the brink of such a process (a "Burning Platform"), with a view to passing Silentnight's Pension Scheme to the PPF at the expense of Pension Scheme members and PPF levy payers. In this context Mr Costley-Wood provided advice and assistance to HIG so that it could acquire Silentnight as an otherwise profitable business without the burden of the Pension Scheme liabilities.</p> <p>Further, the Tribunal held that Mr Costley-Wood dishonestly advanced and associated himself with untrue and misleading and/or materially incomplete statements to the PPF, tPR, Silentnight and the Trustees of the Silentnight Pension Scheme as to the causes of Silentnight's difficulties in order to assist HIG in its efforts to enable Silentnight to shed its liability under the Pension Scheme as cheaply as possible. The Tribunal considered the Respondents' Misconduct in this respect to be</p> |

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| | especially egregious given that they knew they had to be open and transparent with these parties. |
| Useful link(s) | Press Notice – Disciplinary Tribunal Outcome Report of the Disciplinary Tribunal |

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| Date | 30 June 2021 |
| Member / Member Firm Role | Ernst & Young LLP (Statutory Audit Firm) Mark Harvey (Statutory Auditor) |
| Audited Entity | Stagecoach Group plc |
| Sanction(s) / costs Imposed | <p>EY: (1) A fine of £3,500,000 (discounted by 10% for mitigating factors and discounted for admissions and early disposal to £2,205,000); (2) a Severe Reprimand; (3) a declaration that the Audit report did not satisfy the audit reporting requirements for the reasons set out in the Final Decision Notice; and (4) a requirement for EY to report to the FRC for the period of one year in respect of audit work performed in relation to onerous contract provisions</p> <p>Mr Harvey: (1) A fine of £100,000 (discounted for admissions and early disposal by 30% to £70,000); and (2) a Severe Reprimand.</p> <p>The Respondents will also pay Executive Counsel's costs of the investigation.</p> |
| Summary of Misconduct / breach of Relevant Requirement | <p>The breaches of Relevant Requirements related to three specific areas of the Audit: (1) defined benefit pension scheme obligations; (2) provisions for insurance claims relating to accidents; and (3) an onerous contract provision relating to the East Coast Mainline railway franchise. All three areas of the Audit concerned material balances and had been identified by the Respondents as areas of significant risk requiring a heightened audit response.</p> <p>The most serious deficiencies in audit work concerned the lack of sufficient evaluation and challenge of the work of management's and the Respondents' respective experts, and the associated lack of proper challenge of management about material assumptions underlying the Financial Statements. Whilst it is not alleged that the Financial Statements were in fact misstated, in several material instances, the Respondents failed to obtain sufficient appropriate audit evidence and to apply sufficient professional scepticism in their conduct of the Audit.</p> <p>Further, the content and extent of the audit documentation which the Respondents were required to prepare was of a low quality</p> |

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| | which did not record the full extent of the procedures and judgements made. |
| Useful link(s) | Press Notice – Final Decision Notice Final Decision Notice |

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| Date | 31 March 2021 |
| Member / Member Firm Role | UHY Hacker Young LLP (Statutory Audit Firm) Julie Zhuge Wilson (Statutory Auditor) |
| Audited Entity | Inch Kenneth Kajang Rubber Plc |
| Sanction(s) / costs Imposed | <p>UHY: (1) Severe Reprimand; (2) a declaration that the FY16 Audit Report did not satisfy the Relevant Requirements; and (3) non-financial sanctions requiring UHY to take remedial action to prevent the recurrence of the breaches, namely: (i) enhanced mandatory training for Responsible Individuals and periodic reporting to the FRC for three years; (ii) implementing a Root Cause Analysis Programme; (iii) reporting to the FRC within 12 months on the implementation of recommended actions following an independent review of UHY’s audit practice; and (iv) reporting on the outcomes of Root Cause Analysis, and file reviews, on Public Interest Entity (“PIE”) audits, and any remedial actions, for a period of three years.</p> <p>Ms Wilson: (1) Severe Reprimand; (2) a declaration that the FY16 Audit Report did not satisfy the Relevant Requirements; and (3) non-financial sanctions requiring Ms Wilson to take remedial action to prevent the recurrence of the breaches: (i) a prohibition on acting as Statutory Auditor of a PIE and signing a Statutory Audit Report in respect of a PIE for a period of two years; (ii) regular external file reviews on a selection of non-PIE audits and reporting on the outcomes to the FRC for a period of three years; (iii) to provide the FRC with ACCA inspection outcomes in relation to any inspections of non-PIE audits for a period of three years; and (iv) to agree a training programme with the FRC, including periodic reporting.</p> <p>UHY and Ms Wilson will also each pay Executive Counsel’s costs of the investigation.</p> |
| Summary of Misconduct / breach of Relevant Requirement | <p>The breaches of Relevant Requirements related to a number of areas of the FY16 Audit, including: (i) the acceptance, planning and resourcing of the Audit; (ii) assessing the capabilities of component auditors, instructing the component auditors and involvement in their assessment as to risk; (iii) the review of the work of a component auditor; (iv) the engagement with the audit Engagement Quality Review partner (EQCR); and (v) the signing of the audit report. There were also specific breaches in</p> |

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| | <p>relation to audit work on an industrial land transaction and on the carrying value of an associate.</p> <p>The admitted audit failings included a general failure to prepare sufficient audit documentation, a failure to obtain sufficient appropriate audit evidence and a lack of professional scepticism.</p> |
| <p>Useful link(s)</p> | <p>Press Notice – Final Decision Notice</p> <p>Final Decision Notice</p> |

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| Date | 30 March 2021 |
| Member / Member Firm Role | Haysmacintyre LLP (Member Firm / Auditor) David Cox (Audit Engagement Partner) |
| Audited Entity | Associated British Engineering Plc |
| Sanction(s) / costs Imposed | <p>Haysmacintyre: 1) a declaration by Executive Counsel that, as a result of the Adverse Findings set out in the Final Decision Notice, the Statutory Audit Report signed on behalf of Haysmacintyre did not satisfy the Relevant Requirements; 2) a Severe Reprimand; and 3) a financial penalty of £125,000, discounted for mitigating factors, admissions and early disposal so that the financial penalty payable is £70,000.</p> <p>Mr Cox: 1) a declaration by Executive Counsel that, as a result of the Adverse Findings set out in the Final Decision Notice, the Statutory Audit Report signed by Mr Cox did not satisfy the Relevant Requirements; 2) a Severe Reprimand; and 3) a financial penalty of £17,500 discounted for mitigating factors, admissions and early disposal so that the financial penalty payable is £10,000.</p> <p>The Respondents will also pay Executive Counsel's costs of the investigation.</p> |
| Summary of Misconduct / breach of Relevant Requirement | <p>Haysmacintyre and Mr Cox have admitted breaches of Relevant Requirements in six areas of audit work: 1) inventory; 2) journal entry testing; 3) revenue recognition and debt recovery; 4) defined benefit pension scheme; 5) documentation of audit work on going concern; and 6) review and supervision of the audit.</p> <p>The breaches admitted were pervasive, extensive and, in relation to the audit of inventory, serious. The requirements of multiple International Standards on Auditing (UK) (ISA(s)) were breached including ISA 220 (quality control for an audit of financial statements), ISA 230 (audit documentation), ISA 240 (the auditor's responsibilities relating to fraud) and ISA 330 (the auditor's responses to assessed risks).</p> |
| Useful link(s) | <p>Press Notice – Final Decision Notice</p> <p>Final Decision Notice</p> |

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| Date | 17 September 2020 |
| Member / Member Firm Role | Deloitte LLP (Statutory Audit Firm) The relevant Audit Engagement Partner (Statutory Auditor) |
| Audited Entity | A publicly listed company (Company) |
| Sanction(s) / costs Imposed | <p>Deloitte: (1) a fine of £500,000 (discounted for admissions and early disposal to £362,500); (2) a published statement, in the form of a Reprimand; and (3) a non-financial sanction requiring Deloitte to prepare a progress report setting out how under its current Engagement Quality Control Review (EQCR) work programmes such work is documented during the course of the audit of Public Interest Entities, such report to be provided within three months of the date of the Final Decision Notice.</p> <p>Audit Engagement Partner: a published statement, in the form of a Reprimand.</p> <p>The Respondents shall pay the FRC's costs of the investigation.</p> |
| Summary of Misconduct / breach of Relevant Requirement | <p>The Respondents have admitted breaches of Relevant Requirements in relation to the audit of (i) the Company's defined benefit pension scheme (DB Scheme) and (ii) the carrying value of the company's intangible assets.</p> <p>The Respondents failed to ensure that the review work carried out by the EQCR was adequately documented, failed to obtain sufficient appropriate audit evidence to substantiate the cash holding of the DB Scheme and failed to obtain sufficient appropriate audit evidence in respect of its stress testing of the Company's impairment model.</p> |
| Useful link(s) | <p>Press Notice – Final Decision Notice</p> <p>Final Decision Notice</p> |

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| Date | 24 August 2020 |
| Member / Member Firm (Role) | <p>Deloitte LLP (Member Firm / Auditor)</p> <p>Richard Knights (Audit Engagement Partner)</p> <p>Nigel Mercer (Audit Engagement Partner)</p> |
| Audited Entity | Autonomy Corporation Plc |
| Sanction(s) / costs imposed | <p>Deloitte: (1) A fine of £15 million; (2) A Severe Reprimand; and (3) A Condition that it provide a Root Cause Analysis of the reasons for the Misconduct, why the firm's processes and controls did not prevent the Misconduct and whether the firm's current processes would lead to a different outcome.</p> <p>Richard Knights: (1) Exclusion from membership of the Institute of Chartered Accountants for England and Wales for five years; and (2) A Fine of £500,000.</p> <p>Nigel Mercer: (1) A Fine of £250,000; and (2) A Severe Reprimand.</p> <p>The Tribunal ordered that Deloitte pay all of the costs of the investigation claimed by the FRC's Executive Counsel, amounting to £5,635,014.53 (inclusive of VAT), together with the costs of the Tribunal.</p> |
| Summary of Misconduct / breach of Relevant Requirement | <p>The Misconduct arose from Deloitte's audit and review work during 2009 and 2010 relating to (i) the accounting and disclosure of Autonomy's sales of hardware and (ii) Autonomy's sales of software licences to value added resellers (VARs).</p> <p>The findings against Mr Knights relate to the 2009 audit and his conduct from January to July 2010. The findings against Mr Mercer relate to the 2010 audit and certain of his conduct during 2011.</p> <p>The Tribunal found that each of Deloitte, Mr Knights and Mr Mercer were culpable of Misconduct for failing to exercise adequate professional scepticism and to obtain sufficient appropriate audit evidence for its audit and review work relating to the hardware sales and sales to certain VARs. Deloitte should not have issued unqualified audit opinions in both 2009 and 2010 based on the audit evidence obtained.</p> <p>The Tribunal also made findings of Misconduct in relation to the consideration by Mr Knights and Mr Mercer of Autonomy's communications with its regulator, the FRC's Financial Reporting Review Panel (FRRP), in January 2010 and March 2011</p> |

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| | <p>respectively. Mr Knights had acted recklessly and accordingly with a lack of integrity. Mr Mercer failed to act with professional competence and due care.</p> <p>In addition, Mr Knights was culpable of further Misconduct for a loss of his objectivity on six separate occasions during his audit and review work from October 2009 to July 2010.</p> |
| <p>Useful link(s)</p> | <p>Press Notice – Disciplinary Tribunal Outcome</p> <p>Report of the Disciplinary Tribunal</p> |

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| Date | 25 June 2020 |
| Member / Member Firm (Role) | (1) BDO LLP (Member Firm / Auditor) (2) David Wyn Roberts (Audit Engagement Partner) |
| Audited Entity | AmTrust Europe Limited (“the Company”) |
| Sanction(s) / costs imposed | <p>BDO: (1) A financial sanction of £200,000 (discounted for admissions and early disposal to £160,000); (2) A published statement in the form of a reprimand; (3) A requirement that BDO shall implement in respect of the audit of insurance undertakings an appropriate training programme designed to improve quality and consistency in the firm’s processes for obtaining and evaluating independent actuarial audit evidence and in the documentation of those processes and of auditors’ key judgements; and (4) A requirement that for a period of two years from the date of the Decision Notice, to undertake a quality performance review of the work relating to the obtaining and evaluating of actuarial audit evidence for all Statutory Audits of insurance undertakings that used independent actuaries as auditor’s experts and shall report the results annually to the FRC.</p> <p>Mr Roberts: (1) A published statement, in the form of a reprimand.</p> <p>Both BDO and Mr Roberts will also pay Executive Counsel’s costs of the investigation.</p> |
| Summary of Misconduct / breach of Relevant Requirement | <p>The breaches of Relevant Requirements in this case related to an area of audit work which was fundamental for the audits: the approach of the Company’s management to setting its technical provision for outstanding claims. For the FY2014 audit, a single breach was determined, concerning a failure in documentation of the relevant audit work. In respect of the FY2015 audit, there were breaches in three areas of audit work on provision for claims: the use of independent actuaries as auditor’s experts, the testing of management’s accounting estimate and the data on which it was based and the evaluation of the method of measurement used by management. The opinions of independent expert actuaries were relied upon without taking sufficient steps to gain an understanding of or to evaluate their work.</p> |
| Useful link(s) | <p>Press Notice – Settlement</p> <p>Decision Notice</p> |

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| Date | 26 March 2020 |
| Member / Member Firm (Role) | Grant Thornton UK LLP (Statutory Audit Firm) |
| Audited Entity | Conviviality Retail Plc |
| Sanction(s) / costs imposed | (1) A financial sanction of £3 million (discounted to £1.95 million for admissions and early disposal); (2) A Severe Reprimand; (3) A declaration that the Audit did not comply with Relevant Requirements; (4) A package of measures directed at improving the quality of future audits; and (5) Costs of £207,000. |
| Summary of Misconduct / breach of Relevant Requirement | During the Relevant Period, Grant Thornton breached the Relevant Requirements in numerous ways in relation to its policies and procedures relating to Ethical Standards and the International Standard on Quality Control (UK and Ireland) and the consequent failure to establish a control environment that placed adherence to Ethical Standards above commercial considerations. Grant Thornton’s conduct also breached a number of Ethical Standards during the course of its FY2014 Audit of Conviviality with the result that independence was lost and the firm should have resigned from the Audit. |
| Useful link(s) | Press Notice – Settlement Decision Notice |

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| Date | 31 March 2020 |
| Member / Member Firm (Role) | Mr Kevin Engel (Audit Engagement Partner) |
| Audited Entity | Conviviality Retail Plc (“the Company”) |
| Sanction(s) / costs imposed | (1) A Severe Reprimand; and (2) A permanent prohibition banning the Audit Engagement Partner from signing audit opinions. |
| Summary of Misconduct / breach of Relevant Requirement | <p>The Audit Engagement Partner arranged for a Senior Manager, who was initially part of the team assigned to the Audit, to be seconded to the Company to assist with the preparation of its year-end financial statements. The threats to independence created by this situation were so great that the Audit Engagement Partner should not have provided an audit opinion, and in signing an unqualified audit opinion confirming compliance with all relevant standards as he in fact did, he breached a number of Ethical Standards designed to preserve the independence and objectivity of audit.</p> <p>In addition, he instructed the secondee to transfer a four and a half hour time entry originally recorded on the Audit file in order to conceal evidence of that individual’s involvement in both the Audit and subsequently the preparation of the Company’s accounts, being aware of the threats to independence which those circumstances had created. In doing so, Mr Engel acted in breach of the fundamental principle of Integrity.</p> |
| Useful link(s) | <p>Press Notice – Settlement</p> <p>Decision Notice</p> |

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| Date | 31 March 2020 |
| Member / Member Firm (Role) | KPMG Audit plc (Member Firm / Auditor) KPMG LLP (Member Firm / Auditor) |
| Audited Entity | Foresight 4 VCT plc |
| Sanction(s) / costs imposed | (1) A Reprimand; and (2) an order that KPMG monitor compliance with revised audit procedures on company capital and distributions, and report on this to the FRC's Executive Counsel. |
| Summary of Misconduct / breach of Relevant Requirement | KPMG Audit Plc was the Statutory Audit Firm for FY2013; and KPMG LLP was the Statutory Audit Firm for FY2014 and FY2015. As is set out in the Final Decision Notice, there were failures by the Respondents in the manner in which they conducted the FY2013 Audit, FY2014 Audit and FY2015 Audit in relation to their audit work concerning the share premium account and capital redemption reserve (in FY2013) and distributable reserves (for FY2013 to FY2015). |
| Useful link(s) | Press Notice – Settlement Decision Notice |

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| Date | 23 December 2019 |
| Member / Member Firm (Role) | KPMG LLP (Member Firm / Auditor) Nicola Quayle (Audit Engagement Partner) |
| Audited Entity | A company (Company) |
| Sanction(s) / costs imposed | <p>KPMG: (1) A financial sanction of £700,000 (discounted for admissions and early disposal to £455,000); (2) A Reprimand; (3) A declaration by Executive Counsel that, as a result of the Adverse Findings set out in the Final Decision Notice, the Statutory Audit Report did not satisfy the Relevant Requirements; and (4) A requirement that, within a period of two years from the date of the Decision Notice, KPMG shall undertake a quality performance review (QPR) of three Statutory Audits for which Ms Quayle is the Statutory Auditor, such QPRs to be conducted by a Statutory Auditor from KPMG’s London office. KPMG shall report the results annually to the FRC.</p> <p>Ms Quayle: (1) A financial sanction of £45,000 (discounted for admissions and early resolution to £29,250); (2) A Reprimand; and (3) A requirement for Ms Quayle to undertake appropriate training, in a format to be agreed with the FRC.</p> <p>Executive Counsel’s determination as to sanctions reflects that Ms Quayle has agreed that she will not undertake Statutory Audits of Public Interest Entities for a period of two years from the date of the Decision Notice.</p> |
| Summary of Misconduct / breach of Relevant Requirement | <p>The breaches of Relevant Requirements concerned the Respondents’ failure to apply sufficient professional skepticism, or to obtain and document sufficient appropriate audit evidence, in relation to the statutory audit of the Company’s reporting of two distinct categories of complex supplier arrangements; namely “Promotional Income” and “Override Income”.</p> <p>The seriousness of the breaches was aggravated by the facts that:</p> <ol style="list-style-type: none"> 1. the FRC had made auditors aware, through publications in 2014 and 2015, that complex supplier arrangements would be an area of particular attention in its reviews; 2. both KPMG and Ms Quayle have poor recent regulatory records; and 3. Ms Quayle held senior management responsibilities within KPMG. |

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| Useful link(s) | Press Notice – Settlement Decision Notice |

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| Date | 5 November 2019 |
| Member / Member Firm (Role) | Grant Thornton UK LLP (Member Firm / Auditor) The relevant Audit Engagement Partner |
| Audited Entity | A publicly listed company (Company) |
| Sanction(s) / costs imposed | <p>Grant Thornton: (1) Fine of £650,000 (discounted for admissions and early disposal to £422,500); and (2) A declaration that the 2016 Audit report signed on behalf of Grant Thornton did not satisfy certain Relevant Requirements.</p> <p>Audit Engagement Partner: (1) Fine of £20,000 (discounted for admissions and early disposal to £13,000); and (2) A declaration that the 2016 Audit report signed by the Audit Engagement Partner did not satisfy certain Relevant Requirements.</p> <p>The Respondents also agreed to pay all the FRC's costs of the investigation.</p> |
| Summary of Misconduct / breach of Relevant Requirement | <p>The Respondents have admitted breaches of Relevant Requirements in relation to the audit work carried out on the Company's principal assets, and an area identified as a significant risk. The work done on the sampling of those assets was inadequate and failed to select an audit sample that was sufficient to reduce the sampling risk to an acceptably low level. The audit team also placed undue reliance on the Company's externally appointed experts in the valuation of the assets and did not appropriately consider the use of an auditor's expert. The breaches by the audit team led to a failure to obtain sufficient appropriate audit evidence to be able to draw reasonable conclusions about the valuation of the assets. There were also failures to exercise sufficient professional scepticism and to prepare adequate audit documentation. However, none of the breaches of Relevant Requirements were either intentional, dishonest, deliberate or reckless.</p> |
| Useful link(s) | Press Notice – Settlement |

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| Date | 27 September 2019 |
| Member / Member Firm (Role) | Deloitte LLP (Member Firm / Auditor) Ross Howard (Audit Engagement Partner) |
| Audited Entity | Serco Geografix Limited |
| Sanction(s) / costs imposed | Mr. Howard: (1) Fine of £120,000 (discounted for admissions of Misconduct to £78,000); and (2) A Severe Reprimand. |
| Summary of Misconduct / breach of Relevant Requirement | <ul style="list-style-type: none"> a. The Misconduct involved failing to react to clear indicators of the risk of potential fraud on a UK government department despite such indicators being visibly set out on the Serco Geografix Limited audit file for the 2012 audit. b. The Misconduct involved failing to comply with important auditing standards and included failings in relation to identifying the risk of fraud or material misstatement and the exercise of professional skepticism. c. In all circumstances, the Misconduct could undermine confidence in the standards of conduct of auditors and in the profession generally. d. As the engagement partner for the 2012 audit, Mr. Howard was the senior member of the audit team with overall responsibility for the conduct of that audit and with supervisory responsibilities. Mr. Howard abrogated his responsibility as reflected by his failure to supervise the audit properly. |
| Useful link(s) | Press Notice – Settlement Settlement Agreement |

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| Date | 26 June 2019 |
| Member / Member Firm (Role) | KPMG Audit plc (Member Firm / Auditor) Richard Hinton (Audit Engagement Partner) |
| Audited Entity | The Bank of New York Mellon London Branch and The Bank of New York Mellon (International) Ltd |
| Sanction(s) / costs imposed | KPMG: (1) Fine of £5,000,000 (discounted for admissions of Misconduct to £3,500,000); (2) A Severe Reprimand; and (3) A requirement for a quality performance review process affecting each person who signs a Client Assets Report on behalf of KPMG, and a requirement to provide written reports to the FRC on the details, conclusions and actions arising from the review. The review process is to last three years. Each person who signs a Client Asset Report during that period shall be subject to at least one quality performance review in respect of their CASS audits. Mr Hinton: (1) Fine of £75,000 (discounted for admissions of Misconduct to £52,500); and (2) A Reprimand. |
| Summary of Misconduct / breach of Relevant Requirement | The Tribunal found that the Misconduct consisted of a failure to understand and to apply fundamental rules of the Client Asset Sourcebook, requiring the banks to keep their own records and carry out their asset reconciliations on their own legal entity basis. Further, the Misconduct involved the misapplication of the rules that are of very great importance to the financial system. |
| Useful link(s) | Press Notice – Disciplinary Tribunal Outcome Report of the Disciplinary Tribunal |

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| Date | 22 May 2019 |
| Member / Member Firm (Role) | <p>PwC LLP (Statutory Audit Firm)</p> <p>Jaskamal Sarai (Audit Engagement Partner)</p> <p>Arif Ahmad (Audit Engagement Partner)</p> |
| Audited Entity | Redcentric plc |
| Sanction(s) / costs imposed | <p>PwC: (1) Fine of £6,500,000 discounted to £4,550,000 for admissions and early disposal; (2) Severe Reprimand; (3) A condition that PwC supplement the monitoring and support of the Leeds office audit practice on terms which have been agreed with the FRC; (4) A declaration that the Statutory Audit Reports did not satisfy the Relevant Requirements; and (5) costs of £366,744.63.</p> <p>Mr Sarai: (1) Fine of £200,000 discounted to £140,000 for admissions and early resolution; and (2) A Severe Reprimand.</p> <p>Mr Ahmad: (1) Fine of £200,000 discounted to £140,000 for admissions and early resolution; and (2) A Severe Reprimand.</p> <p>In addition to the sanctions imposed, Mr Sarai and Mr Ahmad have undertaken training in relation to compliance with the requirements of ISA 220, as it relates to supervision of the engagement team and the application of professional skepticism in accordance with ISA 200.</p> |
| Summary of Misconduct / breach of Relevant Requirement | <p>The Respondents admitted 8 breaches of Relevant Requirements in respect of their audit of Redcentric plc for the financial years ending 31 March 2015 and 31 March 2016. For both audit years, the breaches related to: audit planning; cash; revenue and debtors; and costs and liabilities.</p> <p>The breaches were numerous and, in certain cases, of a basic and/or fundamental nature, evidencing a serious lack of competence in conducting the statutory audit work. A number of the breaches relate to the auditors' failure to exercise professional skepticism.</p> |
| Useful link(s) | <p>Press Notice – Decision Notice</p> <p>Decision Notice</p> |

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| Date | 29 March 2019 |
| Member / Member Firm (Role) | MSR Partners LLP – formerly Moore Stephens LLP (Statutory Audit Firm) Stephen Corrall (Audit Engagement Partner) |
| Audited Entity | Laura Ashley plc |
| Sanction(s) / costs imposed | MSR Partners LLP: (1) Fine of £825,000 reduced to £455,813 following a 15% discount to reflect mitigating factors, in particular an exceptional level of co-operation, and a further 35% discount for admissions and early disposal; (2) Severe Reprimand; (3) A Declaration that the 2016 Audit report signed on behalf of Moore Stephens LLP did not satisfy the Relevant Requirements; (4) costs of £86,500. Mr Corrall: (1) Fine of £110,000 reduced to £60,775 following a 15% discount to reflect mitigating factors, in particular an exceptional level of co-operation, and a further 35% discount for admissions and early disposal; (2) A Condition that Mr Corrall shall not act as Statutory Auditor of a Public Interest Entity nor sign a Statutory Audit Report in respect of a Public Interest Entity for a period of at least 18 months. |
| Summary of Misconduct / breach of Relevant Requirement | MSR Partners LLP and Mr Corrall have admitted 11 breaches of Relevant Requirements in relation to the audit of materiality, revenue and going concern. The breaches were serious and pervasive throughout the audit and included: setting materiality at three times the appropriate level; failing to gather sufficient appropriate audit evidence when assessing the use of the going concern assumption; and failure to obtain sufficient appropriate audit evidence in relation to their work on revenue. |
| Useful link(s) | Press Notice – Decision Notice Decision Notice |

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| Date | 1 March 2019 |
| Member / Member Firm (Role) | KPMG LLP (Member Firm / Auditor) Andrew Walker (Audit Engagement Partner) |
| Audited Entity | Co-op Bank |
| Sanction(s) / costs imposed | KPMG: (1) Severe Reprimand; (2) Fine of £5,000,000 reduced to £4,000,000 for settlement; (3) Costs of £500,000; (4) A condition that all KPMG's audit engagements with credit institutions for audits with 2019, 2020 and 2021 year ends will be subjected to an additional review by a separate KPMG Audit Quality team. Mr. Walker: (1) Severe Reprimand; (2) Fine of £125,000 reduced to £100,000 for settlement. |
| Summary of Misconduct / breach of Relevant Requirement | The Misconduct occurred shortly after the Co-op Bank's merger with the Britannia Building Society (Britannia). KPMG and Mr Walker both admitted that their conduct fell significantly short of the standards reasonably to be expected of an audit firm and an audit partner in two areas: <ul style="list-style-type: none"> i. the audit of Fair Value Adjustments (FVAs) in relation to loans within the commercial loan book acquired from Britannia; and ii. the audit of FVAs and liabilities under a series of loan notes, (Leek Notes), which were also acquired from Britannia. The Misconduct in respect of these two areas included: failures to obtain sufficient appropriate audit evidence; failures to exercise sufficient professional scepticism and a failure to inform Co-op Bank that the disclosure of the expected lives of the Leek Notes (loan notes) in the financial statements was not adequate. |
| Useful link(s) | Press Notice - Settlement Particulars of Fact and Acts of Misconduct Settlement Agreement |

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| Date | 20 February 2019 |
| Member / Member Firm (Role) | Deloitte LLP (Member Firm / Auditor) Helen George (Audit Engagement Partner) |
| Audited Entity | Serco Geografix Limited (“Serco”) |
| Sanction(s) / costs imposed | Deloitte: (1) Fine of £6,500,000 (discounted for settlement to £4,225,000); (2) A Severe Reprimand; and (3) A condition that Deloitte arrange for all its audit staff to undergo a training programme (designed to the satisfaction of the FRC) aimed at improving the behaviour that is the subject of the Misconduct. Ms George: (1) Fine of £150,000 (discounted for settlement to £97,500); and (2) A Severe Reprimand. |
| Summary of Misconduct / breach of Relevant Requirement | Deloitte has admitted Misconduct in relation to the audit of the financial statements of Serco for the years ended 31 December 2011 and 2012. Ms George’s admitted Misconduct relates to the audit of Serco for the year ended 31 December 2011. Both Deloitte and Ms George have admitted that they failed to act in accordance with the Fundamental Principle of Professional Competence and Due Care. |
| Useful link(s) | Press Notice – Settlement Settlement Agreement Particulars of Fact and Acts of Misconduct |

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| Date | 1 February 2019 |
| Member / Member Firm (Role) | KPMG LLP (Member Firm / Auditor) Mark Taylor (Audit Engagement Partner) Anthony Hulse (Audit Engagement Partner) |
| Audited Entity | Equity Syndicate Management Limited |
| Sanction(s) / costs imposed | KPMG: (1) Severe Reprimand; (2) Fine of £6,000,000; (3) Costs of £1,350,000; (4) Agreed to undertake an additional internal review and report to the FRC on certain aspects of its 2018 audits of insurance undertakings. Mr Taylor: (1) Severe Reprimand; (2) Fine of £100,000; (3) Agreed to the imposition of a requirement to have a second partner review his audits until the end of 2020. Mr Hulse: (1) Severe Reprimand; (2) Fine of £100,000 |
| Summary of Misconduct / breach of Relevant Requirement | The Misconduct of KPMG and Mr Taylor arose from KPMG's 2008 and 2009 audits of the financial statements of Syndicate 218. The findings against Mr Hulse relate only to the 2009 audit. Mr Taylor was an Associate Partner and the Responsible Individual for the audit of Syndicate 218 and Mr Hulse was the Audit Engagement Partner for the ultimate UK parent undertaking of the corporate member of the Syndicate. The Tribunal found that in both years insufficient enquiries were made regarding the claims file review process and warning signs of deterioration in the Syndicate's claims reserves were not acted upon, and consequently there was insufficient evidence to provide an unqualified audit opinion. |
| Useful link(s) | Press Notice – Disciplinary Tribunal Outcome Report of the Disciplinary Tribunal |

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| Date | 14 January 2019 |
| Member / Member Firm (Role) | Baker Tilly (Member Firm / Auditor) Richard King (Audit Engagement Partner) Steven Railton (Audit Engagement Partner) |
| Audited Entity | Tanfield Group Plc |
| Sanction(s) / costs imposed | Baker Tilly: (1) Reprimand; (2) Fine of £750,000; (3) Costs of £827,955.30 Mr. King: (1) Reprimand; (2) Fine of £30,000. Mr. Railton: (1) Reprimand; (2) Fine of £35,000. |
| Summary of Misconduct / breach of Relevant Requirement | Mr. King was the Responsible Individual for Tanfield plc and Mr. Railton was the Responsible Individual for the trading subsidiaries. The findings of Misconduct and sanctions are in connection with the audit of Tanfield's inventories and trade receivables, the most significant items on Tanfield's balance sheet. The independent Tribunal found that errors and discrepancies in the audit work were not identified by the partners. The Tribunal also found that the response by Mr Railton to a profit warning in Tanfield's trading statement on 1 July 2008 was inadequate where the subsidiary accounts were still to be approved. |
| Useful link(s) | Press Notice – Disciplinary Tribunal Outcome Report of the Disciplinary Tribunal |

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| Date | 30 July 2018 |
| Member / Member Firm (Role) | KPMG Audit PLC (Member Firm / Auditor) Michael Francis Barradell (Audit Engagement Partner) |
| Audited Entity | Ted Baker Plc and No Ordinary Designer Label Limited |
| Sanction(s) / costs imposed | KPMG: (1) Severe Reprimand; (2) Fine of £3,000,000 reduced to £2,100,000 for early settlement; (3) Costs of £112,000. Mr Barradell: (1) Reprimand; (2) Fine of £80,000 reduced to £46,800 for early settlement. |
| Summary of Misconduct / breach of Relevant Requirement | The Misconduct arose from KPMG providing expert witness services to Ted Baker in a Commercial Court claim. This was in breach of the Ethical Standards and led to the loss of KPMG’s independence in respect of the audits. There was a risk, which occurred, that the audit team would review the work of the expert when auditing Ted Baker’s treatment of the claim in its accounts and this posed an unacceptable self-review threat. In addition, there was a self-interest threat arising from the fact that the fees for the expert engagement significantly exceeded the audit fees in the relevant years, which KPMG and Mr Barradell also failed properly to consider. It was not alleged that KPMG or Mr Barradell in fact lacked objectivity or integrity. |
| Useful link(s) | Press Notice - Settlement Particulars of Fact and Acts of Misconduct Settlement Agreement |

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| Date | 09 July 2018 |
| Member / Member Firm (Role) | <p>Grant Thornton LLP (Member Firm / Auditor)</p> <p>David Barnes (Audit Engagement Partner)</p> <p>Joanna Lincoln (Audit Engagement Partner)</p> <p>Kevin Engel (Audit Engagement Partner)</p> <p>Eric Healey (Retired Partner)</p> |
| Audited Entity | Nichols PLC and the University of Salford |
| Sanction(s) / costs imposed | <p>Grant Thornton to receive a Severe Reprimand and a fine of £4,000,000 (discounted for settlement to £3,000,000). In addition, Grant Thornton will pay £165,000 in respect of the entirety of the Executive Counsel's costs.</p> <p>Mr Healey to be excluded from the ICAEW for a recommended period of five years and to receive a fine of £200,000 (discounted for settlement to £150,000).</p> <p>Mr Engel to receive a Severe Reprimand and a fine of £100,000 (discounted for settlement to £75,000).</p> <p>Mr Barnes to receive a Reprimand and a fine of £70,000 (discounted for settlement to £52,500).</p> <p>Ms Kearns to receive a Reprimand and a fine of £60,000 (discounted for settlement to £45,000).</p> |
| Summary of Misconduct / breach of Relevant Requirement | <p>The Misconduct relates to a former senior partner in Grant Thornton (Mr Healey) joining the Audit Committees of Nichols and the University, entities which at the time were audit clients of Grant Thornton, while he was also engaged by the firm to provide services under a consultancy agreement. This created serious familiarity and self-interest threats and resulted in the loss of independence in respect of eight audits over the course of four years. The case also revealed widespread and serious inadequacies in the control environment in Grant Thornton's Manchester office over the period as well as firm-wide deficiencies in policies and procedures relating to retiring partners.</p> <p>Mr Healey has admitted that his conduct was in certain respects reckless, that it fell significantly short of the standards reasonably to be expected of a Member and that he failed to act in accordance with, inter alia, the ICAEW's Fundamental Principle of Objectivity.</p> |

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| | <p>Grant Thornton, Mr Engel, Mr Barnes and Ms Kearns have admitted that their conduct fell significantly short of the standards reasonably to be expected of a Member Firm and Members respectively and that they failed to act in accordance with the Fundamental Principle of Competence.</p> |
| <p>Useful link(s)</p> | <p>Press Notice – Settlement</p> <p>Particulars of Fact and Acts of Misconduct</p> <p>Settlement Agreement</p> |

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| Date | 12 June 2018 |
| Member / Member Firm (Role) | PwC LLP (Member Firm / Auditor) Stephen John Denison (Audit Engagement Partner) |
| Audited Entity | Taveta Group (which included BHS Limited) |
| Sanction(s) / costs imposed | <p>PwC: (1) Severe Reprimand; (2) Fine of £10,000,000 reduced to £6,500,000 for early settlement; (3) a Condition that PwC monitor and support its Leeds Audit Practice and provide detailed annual reports about that practice to the FRC for the next three years; (4) an undertaking by PwC to review and amend its policies and procedures to ensure that audits of all non-listed high risk or high-profile companies (including private companies which employ at least 10,000 individuals in the UK) are subject to an engagement quality control review; and (5) Costs of £595,000.</p> <p>Mr Denison: (1) Severe Reprimand; (2) Fine of £500,000 reduced to £325,000 for early settlement; (3) a Condition not to perform any audit work for a period of 15 years; and (4) an undertaking by Mr Denison to remove his name from the register of statutory auditors and not to apply to have his name re-entered on the register for a period of 15 years.</p> |
| Summary of Misconduct / breach of Relevant Requirement | <p>PwC was the auditor of Taveta Investments Limited and its subsidiaries, which included BHS Limited for the financial year ended 30 August 2014. Mr Denison was the Audit Engagement Partner.</p> <p>PwC and Mr Denison have admitted Misconduct in relation to the following areas in respect of the audit:</p> <ul style="list-style-type: none"> (1) Supervision and review; (2) Independence and objectivity; (3) Going concern; (4) Impairment of fixed assets; (5) Impairment of investments; (6) Loans owed by BHS to Arcadia; (7) Income statement; and (8) Integrity. <p>PwC's and Mr Denison's admitted Misconduct related to the following auditing standards: ISA 200, ISA 220, ISA 330, ISA 500, ISA 550, ISA 560, ISA 570, ISA 600, and ISA 700.</p> |



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| Useful link(s) | Press Notice – Settlement Settlement Agreement Particulars of Fact and Acts of Misconduct |
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| Date | 26 May 2018 |
| Member / Member Firm (Role) | KPMG LLP (Member Firm / Auditor) William Smith (Audit Engagement Partner) |
| Audited Entity | Quindell plc |
| Sanction(s) / costs imposed | KPMG: (1) A Fine of £4,500,000 (discounted for settlement to £3,150,000); and (2) to pay £146,000 towards Executive Counsel's costs. Mr Smith: (1) A Fine of £120,000 (discounted for settlement to £84,000); and (2) A Reprimand. |
| Summary of Misconduct / breach of Relevant Requirement | <p>The Misconduct arose in relation to the audit of the financial statements of Quindell plc for the period ended 31 December 2013.</p> <p>Both KPMG and Mr Smith, being members of the Institute of Chartered Accountants in England and Wales (ICAEW), have admitted that their conduct fell significantly short of the standards reasonably to be expected of a Member and a Member Firm and that they failed to act in accordance with the ICAEW's Fundamental Principle of Professional Competence and Due Care.</p> <p>The Misconduct related to two audit areas: (i) revenue recognition for legal services and (ii) a series of transactions relating to the sale and purchase of software licenses, related services and investments. The Misconduct included a failure to obtain reasonable assurance that the financial statements as a whole were free from material misstatement, failure to obtain sufficient appropriate audit evidence and failure to exercise sufficient professional skepticism.</p> |
| Useful link(s) | Press Notice – Settlement |

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| Date | 4 January 2018 |
| Member / Member Firm (Role) | Arrandco Audit Ltd (Formerly RSM Tenon Audit Ltd. “Tenon”) (Former Member Firm / Auditor) Jeremy Filley (Audit Engagement Partner) |
| Audited Entity | Quindell Portfolio plc |
| Sanction(s) / costs imposed | Tenon: (1) Reprimand; (2) Fine of £1,000,000 reduced to £700,000 after settlement discount; (3) Costs of £90,000 Mr Filley: (1) Reprimand; (2) Fine of £80,000 reduced to £56,000 after settlement discount |
| Summary of Misconduct / breach of Relevant Requirement | Tenon was the auditor of Quindell Portfolio plc and its subsidiaries for the financial year ended 31 December 2011 whilst Mr Filley was the audit engagement partner. Tenon and Mr Filley admitted misconduct in relation to: (1) failures to obtain reasonable assurance that the financial statements as a whole were free from material misstatement; (2) failures to obtain sufficient appropriate audit evidence; and (3) failures to exercise sufficient professional scepticism. Tenon and Mr Filley breached the following standards: ISA 200, ISA 220, and ISA 500. |
| Useful link(s) | Press Notice – Settlement |

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| Date | 2 October 2017 |
| Member / Member Firm (Role) | Ernst & Young LLP (Member Firm / Auditor) Julian Gray (Audit Engagement Partner) |
| Audited Entity | Tech Data Limited (“Tech Data”) |
| Sanction(s) / costs imposed | EY: (1) Reprimand; (2) Fine of £2,750,000 reduced to £1,800,000 after settlement discount; (3) Costs of £225,000 Mr Gray: (1) Reprimand; (2) Fine of £90,000 reduced to £59,000 after settlement discount |
| Summary of Misconduct / breach of Relevant Requirement | EY was the auditor of Tech Data for the financial year ended 31 January 2012 whilst Mr Gray was the audit engagement partner. EY and Mr Gray admitted misconduct in relation to: (1) failures to obtain reasonable assurance about whether the financial statements as a whole were free from material misstatement; (2) failures to obtain sufficient appropriate audit evidence; and (3) failures to exercise sufficient professional scepticism. EY and Mr Gray breached the following standards: ISA 200, ISA 220, ISA 240, ISA 315, ISA 330, and ISA 500. |
| Useful link(s) | Settlement Agreement Particulars of Fact and Acts of Misconduct Press Notice – Settlement |

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| Date | 20 July 2017 |
| Member / Member Firm (Role) | PwC (Member Firm / Auditor) Nicholas William Edward Boden (Audit Engagement Partner) |
| Audited Entity | RSM Tenon Group plc (“RSM Tenon”) |
| Sanction(s) / costs imposed | <p>PwC: (1) Severe Reprimand; (2) Fine of £6,000,000 reduced to £5,100,000 after settlement discount; (3) Costs of £500,000</p> <p>Mr Boden: (1) Severe Reprimand; (2) Fine of £150,000 reduced to £114,750 after settlement discount</p> |
| Summary of Misconduct / breach of Relevant Requirement | <p>RSM Tenon was an accounting firm listed on the London Stock Exchange. PwC was the auditor of RSM Tenon for the financial year ended 30 June 2011 whilst Mr Boden was the Senior Statutory Auditor and Audit Engagement Partner.</p> <p>PwC and Mr Boden admitted misconduct in relation to the following 5 areas of audit: (1) the accrual of bonus payments; (2) certain aspects in relation to the recognition of work in progress and amounts recoverable on contracts; (3) the accounting for a lease; (4) the assessment of the impairment of goodwill; and (5) the calculation of goodwill in relation to a subsidiary.</p> <p>PwC and Mr Boden breached the following standards: ISA 200, ISA 220, ISA 260, and ISA 500.</p> |
| Useful link(s) | <p>Press Notice - Settlement</p> <p>Formal Complaint</p> |

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| Date | 12 April 2017 |
| Member / Member Firm (Role) | PwC LLP (Member Firm / Auditor) Stephen Harrison (Audit Engagement Partner) |
| Audited Entity | Connaught Plc |
| Sanction(s) / costs imposed | PwC: (1) Severe Reprimand; (2) Fine of £5,000,000; (3) Costs of £1,675,000 Mr Harrison: (1) Severe Reprimand; (2) Fine of £150,000 |
| Summary of Misconduct / breach of Relevant Requirement | PwC were the auditors of Connaught Plc for the financial year ended 31 August 2009. Mr Harrison was the Senior Statutory Auditor at PwC for Connaught and its subsidiaries. A Disciplinary Tribunal found misconduct in relation to the following three allegations: (1) Contract mobilisation costs; (2) Long-term contract adjustments; and (3) Intangible assets. PwC and Mr Harrison breached the following standards: ISA 200, ISA 315, ISA 500, ISA 540, ISA 560. |
| Useful link(s) | Press Notice – Disciplinary Tribunal Outcome Report of the Disciplinary Tribunal |

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| Date | 29 March 2017 |
| Member / Member Firm (Role) | Grant Thornton UK LLP (Member Firm / Auditor) Robert Napper (Member / Audit Engagement Partner) |
| Audited Entity | AssetCo Plc |
| Sanction(s) / costs imposed | Grant Thornton UK LLP: (1) Severe Reprimand; (2) Fine of £3,500,000 reduced to £2,275,000 after settlement discount; (3) Costs of £200,000 Mr Napper: (1) Exclusion for 3 years; (2) Fine of £200,000 reduced to £130,000 after settlement discount |
| Summary of Misconduct / breach(es) of Relevant Requirement(s) | GT were the auditors of AssetCo plc (an AIM listed business), for the 2009 and 2010 financial statements. Mr Napper was the Audit Engagement Partner. GT and Mr Napper admitted 12 acts of misconduct concerning matters including: (1) disclosures in respect of related party transactions and restricted cash; (2) existence of significant amounts of finance lease debtors and related revenue, and measurement of substantial assets including investments in subsidiaries, goodwill and other intangible assets; (3) assessment of the going concern assumption; and (4) failures to apply sufficient professional scepticism in relation to a variety of matters material to the financial statements. GT's and Mr Napper's admitted Misconduct related to the following auditing standards: ISA 200, ISA 230, ISA 500, ISA 550, ISA 570, ISA 620, and International Standard on Quality Control (UK and Ireland) 1. |
| Useful link(s) | Press Notice - Settlement Settlement Agreement Particulars of Fact and Acts of Misconduct |

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| Date | 10 November 2016 |
| Member / Member Firm (Role) | Deloitte LLP (Member Firm / Auditor) John Clennett (Audit Engagement Partner) |
| Audited Entity | Aero Inventory (UK) Limited (“Aero”) |
| Sanction(s) / costs imposed | Deloitte: (1) Severe Reprimand; (2) Fine of £4,000,000; (3) Payment of all costs of the proceedings brought against it and Mr Clennett. Mr Clennett: (1) Severe Reprimand; (2) Fine of £150,000 |
| Summary of Misconduct / breach of Relevant Requirement | Deloitte LLP were the auditors of Aero for the financial years ended 30 June 2006, 2007, and 2008. Mr Clennett was the audit engagement partner for all three years. A Disciplinary Tribunal found misconduct in relation to the following three allegations: (1) the appropriateness of the accounting and disclosure in Aero's 2006 financial statements of the Garuda Transaction; (2) the costs of sales and stock valuations in the 2006, 2007 and 2008 audits; and (3) stock existence in the 2007 and 2008 audits. Deloitte and Mr Clennett breached the following standards: ISA 200, ISA 500, ISA 501, and ISA 580. |
| Useful link(s) | Press Notice – Disciplinary Tribunal Outcome Report of the Disciplinary Tribunal |

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| Date | 18 August 2016 |
| Member / Member Firm (Role) | PwC (Member Firm / Auditor) Simon Bradburn (Audit Engagement Partner) |
| Audited Entity | Cattles plc and Welcome Financial Services Limited |
| Sanction(s) / costs imposed | <p>PwC: (1) Severe Reprimand; (2) Fine of £3,500,000 reduced to £2,300,000 after settlement discount; (3) Costs of £750,000</p> <p>Mr Bradburn: (1) Severe Reprimand; (2) Fine of £120,000 reduced to £75,600 after settlement discount</p> |
| Summary of Misconduct / breach of Relevant Requirement | <p>Cattles plc was a publicly-listed company and, at the time of the audit in 2007, was a member of the FTSE 250. Welcome Financial Services Limited was the principal operating subsidiary and operated the principal lending business of the Cattles Group. PwC was the auditor of these two companies for the financial year ended 31 December 2007 whilst Mr Bradburn was the Engagement Partner.</p> <p>PwC and Mr Bradburn admitted misconduct in issuing unqualified audit opinions in respect of the 2007 financial statements of Cattles and Welcome financial services in circumstances where (i) PwC had insufficient audit evidence as to the adequacy of the loan loss provision and (ii) had failed to identify the fact that the impairment policy was not adequately disclosed and that the disclosures in those financial statements were not in compliance with IFRS 7.</p> <p>PwC and Mr Bradburn breached the following standards: ISA 200, ISA 220, ISA 240, ISA 315, ISA 330, ISA 500, ISA 520, ISA 540, and ISA 580.</p> |
| Useful link(s) | <p>Settlement Agreement</p> <p>Particulars of Fact and Acts of Misconduct</p> <p>Press Notice - Settlement</p> |