

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)]

Date	29 March 2019
Member / Member Firm (Role)	MSR Partners LLP – formerly Moore Stephens LLP (Member Firm / Auditor) 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. 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

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. <p>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.</p>
Useful link(s)	Particulars of Fact and Acts of Misconduct Press Notice - Settlement Settlement Agreement

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) 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

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

Date	30 July 2018
Member / Member Firm (Role)	KPMG LLP (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

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. 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>Particulars of Fact and Acts of Misconduct</p> <p>Press Notice – Settlement</p> <p>Settlement Agreement</p>

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> <ol 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>



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) Reprimand; (2) Fine of £4,500,000 reduced to £3,150,000 after settlement discount; (3) Costs of £146,000 Mr Smith: (1) Reprimand; (2) Fine of £120,000 reduced to £84,000 after settlement discount
Summary of Misconduct / breach of Relevant Requirement	<p>KPMG was the auditor of Quindell plc and its subsidiaries for the financial year ended 31 December 2013 whilst Mr Smith was the audit engagement partner.</p> <p>KPMG and Mr Smith admitted misconduct in relation to two audit areas:</p> <ul style="list-style-type: none"> (1) Revenue recognition for legal services; and (2) A series of transactions relating to the sale and purchase of software licenses, related services and investments. <p>The misconduct included:</p> <ul style="list-style-type: none"> (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. <p>KPMG and Mr Smith breached the following standards: ISA 200, ISA 220, and ISA 500.</p>
Useful link(s)	Press Notice – Settlement

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

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

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)	Press Notice - Settlement

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

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	<p>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</p> <p>Mr Napper: (1) Exclusion for 3 years; (2) Fine of £200,000 reduced to £130,000 after settlement discount</p>
Summary of Misconduct / breach(es) of Relevant Requirement(s)	<p>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.</p> <p>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.</p> <p>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.</p>
Useful link(s)	<p>Settlement Agreement</p> <p>Particulars of Fact and Acts of Misconduct</p>

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

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>