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ACCOUNTING & AUDIT

PwC Will Have to Pay £1.75 Million Fine Over Flawed BT Audit

The Financial Reporting Council also handed partner Richard Hughes a £42,000 penalty for his role on the audit.

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By Katharine Gemmill, Bloomberg News (TNS)

PricewaterhouseCoopers LLP was fined £1.75 million (\$2.1 million) by the UK's audit watchdog over failings in a 2017 audit of BT Group Plc, which was hit by a massive

fraud at its Italian unit.

The Financial Reporting Council also handed partner Richard Hughes a £42,000 penalty for his role on the audit. The fines were reduced by the regulator after admissions and “early disposal.”

Both PwC and Hughes admitted the breaches which were “made following the identification of a fraud in its Italian operations in 2016,” the FRC said in a statement Monday.

The scale of the BT Italy scandal was such that in its 2017 financial statements BT disclosed adjustments of approximately £513 million. The company said at the time it was duped by a sophisticated deception orchestrated by a few employees and missed by its long-time accountant PricewaterhouseCoopers.

The sanctions in the case “will serve as a timely reminder to the profession,” Claudia Mortimore, deputy executive counsel at the FRC, said.

“We are sorry that aspects of this audit were not of the required standard,” a spokesperson from PwC said. “The FRC’s finding relates to a narrow element of the audit.”

PwC was also fined almost £5 million pounds in June for a series of poor audits of two UK construction companies, as the regulator continues to crack down on audit failings by the Big Four.

The UK is bringing in sweeping audit reforms aimed at reining in the dominance of the largest accountancy firms and cleaning up the industry following a string of high-profile scandals.

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