

Watchdog hits Grant Thornton with £4m fine over Patisserie Valerie collapse

The former auditor of Patisserie Valerie is facing a multimillion pound fine nearly three years after the cafe chain collapsed in one of Britain's biggest recent accounting scandals.

Sky News has learnt that Grant Thornton is in advanced discussions with the Financial Reporting Council (FRC) about a settlement that could be finalised as soon as this month.

A source close to the firm said a fine of approximately £4m had been raised during recent correspondence with the audit regulator, although the details and timing were subject to change.

If confirmed, it is likely to be the biggest financial penalty ever imposed by the FRC on an accountancy firm outside the big four of Deloitte, EY, KPMG and PricewaterhouseCoopers.

It was unclear this weekend whether any other sanctions would be imposed on Grant Thornton or any individuals as part of the FRC settlement.

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It was also unclear whether the roughly £4m penalty would be discounted to take into account the firm's co-operation with the probe.

Patisserie Holdings, the listed parent company of the bakery chain, plunged into administration in January 2019, several months after the discovery of "significant and potentially fraudulent accounting irregularities".

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The Serious Fraud Office subsequently arrested at least five people as part of its own investigation into the collapse, although none are thought to have been charged to date.

Nearly 1,000 jobs were lost at Patisserie Holdings when the group was broken up and sold in chunks following its collapse.

Luke Johnson, the seasoned entrepreneur who has been involved in many of Britain's most successful hospitality businesses, was the company's chairman and has described his emotional torment at the discovery of the apparent fraud.

Mr Johnson has not been accused of any criminal wrongdoing and has continued to invest in leisure companies through his private vehicle, Risk Capital Partners.

Grant Thornton, which is the sixth-largest accountancy firm in the UK, has been hit with several previous FRC fines, including in relation to its audit of Conviviality, the drinks retailer.

The firm is also facing a £200m damages claim from FRP Advisory, Patisserie Holdings' liquidator, for what was described as its "negligent" oversight of the company's books.

The FRC's investigation into Grant Thornton's auditing of the cafe chain encompassed its 2015, 2016 and 2017 accounts, according to a statement in 2018.

The conclusion of its probe follows recent large fines imposed on EY for failings in its audit of Stagecoach, the transport operator, and KPMG and one of its former partners for their work on Silentnight, a bed manufacturer.

Ministers are preparing the next phase of reforms to the audit profession and its supervision following public and political outrage over the collapse of companies such as BHS and Carillion.

The FRC is expected to be replaced by a new statutory watchdog called the Audit, Reporting and Governance Authority.

Grant Thornton and the FRC declined to comment on the impending conclusion to the regulator's investigation into the auditing of Patisserie Holdings.

In response to the FRP lawsuit, Grant Thornton said earlier

this year: "We will continue to rigorously defend the claim.

"As set out in our defence, Patisserie Valerie is a case that involves sustained and collusive fraud, including widespread deception of the auditors and ignores the failings of the board and management who were primarily responsible for the group's accounts and the running of the business."