

IN THE MATTER OF

THE EXECUTIVE COUNSEL TO THE FINANCIAL REPORTING COUNCIL

-and-

ROSS HOWARD

SETTLEMENT AGREEMENT

1. This Settlement Agreement ("Agreement") is made on the 2 day of ~~September~~ 2019 between Elizabeth Barrett as the Executive Counsel of the Financial Reporting Council ("FRC") ("the Executive Counsel"), and Ross Howard ("Mr Howard"). The Executive Counsel and Mr Howard together are described as "the Parties". The Agreement is evidenced by the signatures of the Executive Counsel on her own behalf and by Mr Howard on his own behalf.
2. The Particulars of Fact and Acts of Misconduct concerning Mr Howard ("the Particulars") were agreed by the Parties in accordance with the FRC Accountancy Scheme ("the Scheme") and are annexed hereto. The Particulars relate to the conduct of Mr Howard in relation to the audit of the financial statements of Serco Geografix Limited for the year ending 31 December 2012. Mr Howard admits to the Acts of Misconduct set out in the Particulars.
3. A separate Settlement Agreement was agreed between the Executive Counsel and Deloitte LLP (for the audits of the financial statements of Serco Geografix Limited for the years ended 31 December 2011 and 31 December 2012) and Helen George (for the audit of the financial statements of Serco Geografix Limited for the year ended 31 December 2011 only), on 7 January 2019. For the avoidance of doubt, this Agreement relates to Mr Howard only.
4. The Parties recognise that the determination to be made in this case is a matter for the Tribunal member in accordance with paragraph 8(4)(ii) of the Scheme.
5. Terms used in this Agreement shall have the same meaning as set out in the Scheme and the FRC Sanctions Guidance (effective 1 June 2018) ("the Sanctions Guidance").

Sanction

6. The Parties have agreed the following terms of settlement:
 - a. a Severe Reprimand; and

- b. a Fine of £120,000 (discounted in accordance with paragraph 73 of the Sanctions Guidance relating to settlement adjustments by 35% to £78,000).
7. The Fine shall be paid not later than 28 days after the date when this Agreement takes effect.
8. In determining the appropriate sanctions the Executive Counsel adopted the approach set out in paragraph 18 of the Sanctions Guidance, as follows:

Nature and Seriousness of the Misconduct

9. The Executive Counsel considers that the factors relevant to assessing the nature and seriousness of the Misconduct are:
- 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 scepticism.
 - c. In all the 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.
 - e. The Misconduct was not dishonest, deliberate or reckless and did not involve a failure to act with integrity.
 - f. Mr Howard had not derived or intended to derive any financial benefit from the Misconduct in that the fees received were unconnected with and not dependent on the failings identified.

Identification of Sanction

10. Having assessed the seriousness of the Misconduct and considered the range of available sanctions, the Executive Counsel considered that the sanctions identified above are appropriate sanctions for Mr Howard.
11. The Executive Counsel has then taken into account aggravating and mitigating factors set out below, to the extent that they have not already been taken into account in relation to the nature and seriousness of the Misconduct. The Executive Counsel has also considered whether any adjustment to sanction for deterrence is required in this case. The conclusion reached is that the sanctions set out in paragraph 6 above are appropriate, having regard to the purpose of the Scheme.

Aggravating Factors

12. No aggravating factors are relevant.

Mitigating Factors

The following mitigating factors were identified:

- a. Mr Howard has a good compliance history and disciplinary record.
- b. Mr Howard has expressed contrition for his Misconduct.

Discount for Settlement

13. Having taken into account the admissions made by Mr Howard and the stage at which those admissions were made (in Stage 1 of the case in accordance with paragraph 73 of the Sanctions Guidance), the Executive Counsel has determined that a reduction of 35% as to the Fine as a settlement factor is appropriate.

Amount of fine

14. The Executive Counsel considers that, having regard to the circumstances of this case, and previous relevant outcomes of cases under the Scheme, a fine of £120,000 is proportionate to the Misconduct and will act as an effective deterrent. In accordance with paragraph 35(c) of the Sanctions Guidance, the Executive Counsel has taken into account the financial resources of Mr Howard when assessing the amount of the Fine.
15. If the decision is to approve the Agreement, including the sanctions set out above, then the Agreement shall take effect from the next working day after the date on which the notice of the decision is sent to Mr Howard in accordance with paragraph 8(4)(iv) of the Scheme.

[Redacted signature]

Elizabeth Barrett
Executive Counsel

2 September 2019

Date

[Redacted signature]

Ross Howard

28-8-19

Date

