

Edited for publication

IN THE MATTER OF

THE EXECUTIVE COUNSEL TO THE FINANCIAL REPORTING COUNCIL

- and -

BDO LLP

SETTLEMENT AGREEMENT

1. This Settlement Agreement ("**Agreement**") is made on 8 August 2025 between Jamie Symington as Deputy Executive Counsel of the Financial Reporting Council ("**FRC**"), of 13th Floor, Exchange Tower, 1 Harbour Exchange Square, London, E14 9GE ("**the Executive Counsel**"), and BDO LLP ("**BDO**") (together "**the Parties**"). The Agreement is evidenced by the signatures of the Parties.
2. Terms used in this Agreement shall have the same meaning as set out in the FRC Accountancy Scheme ("**the Scheme**") and the FRC Sanctions Guidance dated March 2021 ("**the 2021 Sanctions Guidance**").
3. A Formal Complaint alleging Misconduct against BDO as a member firm of the Institute of Chartered Accountants in England and Wales ("**the ICAEW**") was delivered to the Conduct Committee under paragraph 7(11) of the Scheme on 17 April 2025. The amended Formal Complaint as submitted to the Disciplinary Tribunal ("**the Tribunal**") is annexed to this Agreement.
4. The Parties recognise that the determination to be made in this case is a matter for the Tribunal in accordance with paragraph 8(5) of the Scheme.
5. If the decision of the Tribunal is to approve the Agreement, including the sanctions set out below, and the proposed amendments to the Formal Complaint further to regulation 24 of the Accountancy Regulations, then the Agreement shall take effect

from the next working day after the date on which the notice of the decision is sent to the Parties in accordance with paragraph 8(5) of the Scheme.

6. The Agreement and annex shall be published in accordance with paragraph 8(6) of the Scheme.
7. The Formal Complaint is in respect of BDO's (i) inadequate response to evidence that its former senior manager, Ms Amanda Nightingale (née Cleaver) ("**Ms Nightingale**") had inserted an electronic signature into an Auditor's Report and provided it to a client without authorisation, and to subsequent reports which raised concerns about her integrity (ii) failures in respect of certain of its systems, controls, policies and procedures (iii) liability for the admitted Misconduct of its former partners, Mr John Everingham, and Mr Kevin Cook, and for the admitted Misconduct of Ms Nightingale.
8. BDO admits the Formal Complaint and the Allegations contained within it.

Sanction

9. The Parties have agreed the following terms of settlement:
 - a. a financial sanction of £6,500,000 reduced by 10% in accordance with paragraph 73 of the 2021 Sanctions Guidance for settlement at Stage 3 to £5,850,000, to be paid no later than 28 days after the date when this Agreement takes effect;
 - b. in relation to the audits where unauthorised audit opinions were issued by the firm, BDO has repaid audit fees for 6 audits and will take all reasonable steps to repay fees, where charged, in relation to the remaining audits within a period of 56 days, and report to the FRC on those steps following the expiry of that period;
 - c. a Severe Reprimand; and
 - d. the Non-Financial Sanctions set out in the Schedule to this Agreement.
10. In determining the appropriate sanctions against BDO, the Executive Counsel adopted the approach set out in paragraph 18 of the 2021 Sanctions Guidance, as follows:

Nature and Seriousness of the Misconduct

11. The Executive Counsel considers that the following factors are relevant to assessing the nature and seriousness of the Misconduct:

- a. BDO derived a financial benefit from the Misconduct insofar as they received audit fees in respect of audits where (i) the Auditor's Report was not signed by the Responsible Individual (ii) inadequate audit evidence had been obtained and/or reviewed (iii) and/or inadequate oversight and supervision was exercised by the relevant Responsible Individual.
- b. The Misconduct in aggregate in this case was extremely serious and continued over a period of years.
- c. The Misconduct at least risked the loss of significant sums of money, and potentially adversely affected a significant number of people in the UK.
- d. In the case of Ms Nightingale, the Misconduct was intentional and dishonest and demonstrated a lack of integrity.
- e. Ms Nightingale's Misconduct, as well as that of Mr Everingham and Mr Cook, was able to occur and remain undetected because of the circumstances created by failings in BDO's systems, controls, policies and procedures.
- f. The Misconduct involved a failure to comply with important professional standards. The standards breached, including the Fundamental Principles of Integrity (by Ms Nightingale), Professional Behaviour and Professional Competence and Due Care, are critical to upholding trust and public confidence in the accountancy profession. The Misconduct also involved widespread failures to comply with important auditing and quality control standards, which are of fundamental importance to the work of an auditor.
- g. Following Ms Nightingale's departure from BDO in December 2019, the firm conducted an extensive forensic investigation into, and collated information relating to, her conduct and provided a detailed report on its findings to the FRC in February 2021. The firm provided the FRC with its subsequent root cause analysis later in 2021. BDO has remediated and strengthened its systems and controls to try to prevent a reoccurrence of the Misconduct in the future. However, since the Misconduct occurred, 'quality control' is an area which the FRC has repeatedly found in its Audit Quality and Inspection Reports to have contributed to findings that BDO's audits have required improvement or significant improvements.
- h. The Misconduct is very likely to undermine confidence in the standards of conduct in general of Members and Member Firms and financial reporting, and in the profession generally.

Identification of Sanction

12. Having assessed the seriousness of the Misconduct and considered the range of available sanctions, the Executive Counsel considers that the sanctions identified at paragraph 9 above are appropriate.
13. The Executive Counsel considers that, having regard to the circumstances of this case and the nature of the Misconduct and circumstances in which it has arisen, a financial sanction of £6,500,000 is proportionate to the Misconduct and will act as an effective deterrent.
14. In relation to those audits where unauthorised auditor's reports were issued by the firm, BDO has written (or, in relation to two audited entities, will write as soon as practicable) to all extant audited entities where audit fees were charged, and offered to repay those fees. BDO has repaid 6 audit fees and will take all reasonable steps to repay fees, where charged, in relation to the remaining audits within a period of 56 days, and report to the FRC on those steps following the expiry of that period.
15. The Executive Counsel has determined it is also appropriate to impose a Severe Reprimand given the scale and gravity of the Misconduct identified.
16. Further, the Executive Counsel has determined that BDO should undertake the steps set out in the Schedule to this Agreement by way of Non-Financial Sanctions.
17. The Executive Counsel has 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 no adjustment is required.

Aggravating Factors

18. No other aggravating factors which have not already been taken into account in the assessment of seriousness have been identified.

Mitigating Factors

19. BDO has expressed contrition for the Misconduct.

Discount for Settlement

20. Having taken into account the admissions made by BDO and the stage at which those admissions were made (in Stage 3 of the case in accordance with paragraph

73 of the 2021 Sanctions Guidance), the Executive Counsel has determined that a reduction of 10% to the financial sanction is appropriate.

Costs

21. Costs of £716,000 to be paid by BDO no later than 28 days after the date when this Agreement takes effect.

[Signature redacted]

8 August 2025

Jamie Symington

Date

Deputy Executive Counsel

[Signature redacted]

Mark Shaw

Date 8/8/2025

Partner, BDO LLP

[Signature redacted]

Gervase MacGregor

Date 08-08-25 | 13:12 BST

Partner, BDO LLP

Schedule to the Agreement

Non-Financial Sanctions

1. BDO to report to the FRC's Executive Counsel and Executive Director of Supervision every six months (on or before 31 May and 30 November based on data up to 31 March and 30 September respectively) for a period of two years (with the first report to be provided on or before 31 May 2026 and the final report to be provided on or before 30 November 2027) in respect of:
 - a. BDO's monitoring and the results thereof, in respect of the implementation and operating effectiveness of the six control enhancements set out below¹, and of any related measures introduced since December 2019, or remedial actions taken in response to the firm's monitoring.
 - i. Use of Docusign (Electronic Signatures);
 - ii. Scrape of Information from Companies House to confirm signatures on audit reports;
 - iii. Logging and tracking opinions signed by RIs;
 - iv. Controls over handovers of portfolios;
 - v. Controls in respect of WIP and debtors, including those intended to ensure appropriate RI oversight, approval and scrutiny of WIP, billing, recoveries and write-offs; and
 - vi. AQI and milestones dashboard, and controls over delegate sign-offs.
 - b. The operating effectiveness of BDO's systems and controls as incorporated in the ISQM (UK) 1 framework for ensuring appropriate involvement in, and supervision of audits by RIs.
2. In reporting on the matters at 1(b) above, BDO's reports should include:
 - a. Qualitative analysis of the systems and controls relevant to ensuring appropriate involvement in, and supervision of audits by RIs, during the relevant reporting period, including a summary of any potential deficiencies identified during that period, which should include details of (insofar as relevant to those systems and controls):

¹ Such controls as have previously been reported to FRC Supervision by BDO

- i. The outcome of the firm-wide portfolio reviews (including the South East SBU specific reviews);
 - ii. A summary of any findings and interventions by the Audit Quality Executive; and
 - iii. A summary of practice review findings for the relevant reporting period, and of BDO's actions in response to those findings.
- 3. BDO shall also include in its six-monthly reporting:
 - a. An anonymised breakdown of annual quality ratings for client-facing directors and partners working within the audit practice including a summary of the actions taken to improve performance where necessary;
 - b. An anonymised summary of disciplinary investigations undertaken under BDO's Disciplinary Policy for employees and equivalent policies/rules for partners, and any sanctions applied, for the relevant reporting period in respect of client-facing partners and qualified staff working within the audit practice;
 - c. An anonymised summary of external written complaints from audited entities submitted to BDO's risk reporting system for the relevant reporting period relating to the audit practice, and how these were resolved; and
 - d. Any other information relevant to the operation of the relevant systems and controls which the FRC would reasonably expect notice in the context of these non-financial sanctions.
- 4. BDO's reports will be signed by an appropriate member of Senior Management (to be agreed with FRC) and will set out a description of the work that has been carried out in preparing each report and the basis of the conclusions contained within each report.