

AccountancyAge

E&Y cleared by FRC over Lehmans audit

by Kevin Reed

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ACCOUNTANCY's WATCHDOG has cleared Ernst & Young over its role as auditor of collapsed investment bank Lehman Brothers.

Following an investigation, the Financial Reporting Council (FRC) has decided against taking any further action against Ernst & Young and its audit staff.

FRC executive counsel Gareth Rees decided no action should be taken, after looking into whether the firm and its auditors had failed to adequately check that Lehmans was holding the appropriate amount of client money in a segregated

account.

Administrators for Lehmans found a shortfall in the fund, a potential breach of Financial Services Authority rules, despite E&Y signing off that Lehmans was in compliance.

In the course of the enquiry, the investigation team obtained and reviewed E&Y's audit files and hard-copy documentation. The team also interviewed E&Y audit team staff.

"This matter was referred to an expert to consider the case. Following this, executive counsel has decided that there is no realistic prospect that a tribunal would make an adverse finding against E&Y in the UK or against members within that firm. The investigation will therefore be closed and no further action taken," said the FRC in a statement.

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