

Fraud police investigate £260m Tesco profit 'error'

Deirdre Hipwell

Tesco faces an investigation by the Serious Fraud Office into a £263 million accounting black hole.

Britain's biggest supermarket group confirmed yesterday that the crime agency would examine its accounting practices after revelations that Tesco had overstated its half-year profit forecast by more than a quarter of a billion pounds.

It comes after eight executives, including the company's UK chief, Chris Bush, were suspended over the past month, wiping more than £2 billion from its value on the stock market.

Deloitte was called in to scrutinise Tesco's accounts, focusing on 700 invoices out of a cache of 6.3 million documents. The accountancy group's findings were handed to the Financial Conduct Authority (FCA), which has now suspended its investigation to make way for the SFO.

Its investigators typically look into allegations of serious fraud, bribery or corruption. Depending on the outcome, Tesco and individual executives could face criminal charges.

The criminal inquiry is another blow to Dave Lewis, the new chief executive who is trying to turn around the business, which has experienced a fall from grace over the past six months.

Since joining from Unilever about two months ago, Mr Lewis has had to deal with demotivated staff, aggrieved shareholders and plunging profits alongside a growing accounting fiasco.

He was forced last week to delay Tesco's half-year figures, which revealed that its profits had plummeted by 92 per cent, after a whistleblower alleged that the retailer had inaccurately booked funds for marketing and promotion as if they were sales profit.

Tesco said last week that it was withholding payments worth £2 million to Philip Clarke, its former boss, who was

dismissed during the summer, and Laurie McIlwee, the ex-chief financial officer, until the outcome of all external investigations was known. There is no suggestion that Mr Clarke or Mr McIlwee have committed any crime.

Mr Lewis appeared eager last week to convince the market that Tesco's accounting problems were largely behind it, stating that no one had "gained"
Continued on page 4, col 5

Fraud inquiry is fresh blow to Tesco chief

Continued from page 1

financially". Now that an SFO inquiry is under way, the problem could rumble on for months.

John Milner, head of business crime and fraud at [IBB Solicitors](#), said: "The SFO would have already had its finger on the pulse [of the FCA investigation]. Once the FCA hands over its findings, the [SFO] director will consider them and then he has to make a judgment on whether to open a formal investigation.

"Two of the key criteria [for opening an investigation] are if it is a case which clearly undermines UK Plc and if there is a very significant public interest."

Tesco said it had been "co-operating fully" with the SFO and would continue to do so. The retailer could also face another examination by the Financial Reporting Council, the accountancy watchdog, which has said that it was still considering whether to carry out its own investigation.

The SFO confirmed yesterday that it had opened a "criminal investigation into accounting practices at Tesco", but declined to provide further details.