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Adecco's accounts prompt inquiry by US watchdog

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A US watchdog began an investigation last night into Adecco, after the world's largest temporary jobs agency stunned European investors by revealing that accounting problems would delay publication of its 2003 results.

Adecco, which is listed in Zurich, New York and Paris, has to comply with strict new rules for company reporting enforced in the US after the Enron and WorldCom scandals.

The admission from the company that its auditors, Ernst & Young, were unhappy with its internal controls, triggered sharp selling in the shares, which fell 35 per cent, wiping more than £2 billion off the value of the group. A source close to the US Securities and Exchange Commission, the financial watchdog, told *The Times* last night that a team of lawyers and investigators would soon contact Adecco to ask for information relating to the accounting problems. "In a situation like this, we have people on the case immediately," the source said.

In a short statement, Adecco said that it had delayed its 2003 results, expected on February 4, after finding "material weaknesses" in internal controls in its North American staffing business. It also said that there were "accounting, control and compliance" issues in Adecco's operations in certain countries, but refused to identify the countries.

The company, which places 650,000 people in jobs around the world each day, said that it had appointed an independent lawyer to conduct an internal investigation into the problems. It declined to say when the inquiry was likely to be completed.

In a research note issued to its clients yesterday, Morgan Stanley, the investment bank, said that a lack of internal controls for at least part of the year suggested that the "opportunity existed to commit fraud within the group (Adecco)".

A spokesman for Adecco said that its 28,000 staff worldwide had been told it was "business as usual". The firm employs 1,350 people in the UK.