

# HEARING

## ADMISSIONS AND LICENSING COMMITTEE OF THE ASSOCIATION OF CHARTERED CERTIFIED ACCOUNTANTS

### REASONS FOR DECISION

**In the matter of:** Mr Victor George Woodhouse

**Heard on:** (1) Thursday, 19 July 2018  
(2) Wednesday, 20 September 2018

**Location:** (1) The International Dispute Resolution Centre  
(IDRC), 70 Fleet Street, London, EC4Y 1EU.  
(2) The Chartered Institute of Arbitrators, 12  
Bloomsbury Square, London, WC1A 2LP.

**Committee:** Mrs Helen Carter-Shaw (Chairman)  
Ms Andrea White (Accountant)  
Mr Barry Picken (Lay)

**Legal Adviser:** Miss Judith Chrystie

**Persons present  
and capacity:** Mr Mohammed Ismail (ACCA Case Presenter)  
Ms Helen Evans (Counsel for Mr Woodhouse)  
Mr Christopher Bando (Hearings Officer)

**Observers:** Shazia Ahmed (FRC)

**Summary:** Admit late evidence – Adjournment – see separate reasons.  
Material breach of the Global Practising Regulations – withdrawal of firm’s auditing certificate and withdrawal of the ACCA principal’s audit qualification – order to have immediate effect.

# HEARING

## BRIEF BACKGROUND

1. This hearing was heard over two days. The hearing was adjourned on the first day. The reasons for this adjournment are given in a separate document.
2. Between the two dates of the hearing, ACCA withdrew an allegation that Mr Woodhouse and the firm had breached PR 9(1) (Annex) by failing to comply with the requirements of the Solicitors Regulation Authority (SRA) and adhere to any guidance issued by it for the preparation and presentation of their report. This removed the need for any further evidence to be submitted.
3. The Committee considered the following papers:
  - (a) bundle of papers numbered pages 1-14;
  - (b) additional papers 1 numbered pages 15-69a-c;
  - (c) additional papers 2 numbered pages 70-78;
  - (d) additional page numbered page 79;
  - (e) additional papers 3 numbered pages 79a-80;
  - (f) additional papers 4 numbered pages 81-174;
  - (g) service bundle numbered pages 1-11 (although with Counsel for Mr Woodhouse confirmed that there was no issue with service);
  - (h) service bundle numbered 12-21.
4. V G Woodhouse & Co ('the firm') is the sole practice of ACCA member, Mr V G Woodhouse. Mr Woodhouse holds a practising certificate with audit qualification and the firm is regulated for audit purposes.

# HEARING

5. Following an unsatisfactory outcome to a routine monitoring visit by a compliance officer in March 2018, ACCA invited the Committee to consider making an appropriate order and, on the basis that the firm had previously been subject to regulatory action, recommended that the Committee:

(a) withdrew the firm's auditing certificate; and

(b) withdrew the ACCA principal's audit qualification;

on the basis that the mitigation advanced by, or on behalf of, Mr Woodhouse, did not amount to an exceptional circumstance to indicate that a lesser order would be appropriate under the Guidance of Regulatory Orders (May 2018).

6. ACCA argued that Mr Woodhouse and the firm had breached a number of Global Practising Regulations PR 13(1) (Appendix) (PR) in that they failed to comply with the International Standards on Auditing (UK and Ireland) in the conduct of audit work.

7. ACCA conducted a first monitoring visit on 30 August 2000. Serious deficiencies were found in the audit work and in the work recorded to support the report to the Law Society issued on a solicitor client.

8. ACCA conducted a second visit on 8 October 2002. The firm did not have any solicitor clients at this visit. Deficiencies were identified on the four audit files that were inspected. These were accepted by Mr Woodhouse who offered to have future audit files 'hot' reviewed by a training company.

9. ACCA reported the findings of the visit to the Admissions and Licensing Committee and at its meeting on 20 February 2003, the Committee made an order that the firm's audit files should be subject to 'hot' review and that an accelerated monitoring visit should be conducted.

10. A third visit to the firm was conducted on 10 November 2004. Although some deficiencies were identified, the outcome was satisfactory and the firm was released from the requirement to have 'hot' reviews. The firm had no solicitor clients at this visit.

# HEARING

11. On 14 June 2011, ACCA conducted a fourth visit. The firm did not hold any audit appointments but reported to the Solicitors' Regulation Authority (SRA) on three solicitor clients. Some deficiencies were found on the two files inspected but the work was generally in accordance with the SRA's requirements.
  
12. At a fifth visit on 20 March 2018, the Compliance Officer found that the firm had failed to maintain a satisfactory standard of audit work. Further details of the matters the compliance officer found are set out below.
  
13. In relation to an audit file, which related to the firm's sole audit client, ACCA submitted that the firm had not:
  - (a) established adequate documented procedures to comply with International Standard on Quality Control 1 (ISQC1);
  
  - (b) placed a signed copy of the engagement letter for the audit file on file (ISA 210);
  
  - (c) communicated their responsibilities as auditors of the financial statements to those charged with governance (ISA 260);
  
  - (d) recorded adequate information to show its understanding of the client and its environment (ISA 315);
  
  - (e) recorded adequate information to show how it had designed and performed audit procedures to address the risks of fraud relating to management override of controls and revenue recognition (ISA 240.26/31);
  
  - (f) established an overall audit strategy setting the scope, timing and direction of the audit that guided the development of the audit plan (ISA 300);
  
  - (g) prepared adequate audit documentation to comply with ISA 230;

# HEARING

- (h) complied with ISA 500 in that it had not:
  - (i) recorded any work to verify the existence and valuation of 'non-trading stock';
  - (ii) considered the recoverability of certain debts or refund;
  - (iii) obtained bank certificates;
  - (iv) clearly identified work to verify the existence and completeness of bank balances;
  - (v) verified the completeness of creditors and accruals;
  - (vi) agreed an amount due to an associated company;
- (i) performed and recorded adequate procedures in order to identify the entity's related parties, recognise any fraud risk factors arising and the impact of these risk factors on the audit approach, and ensure that the related parties have been accounted for and disclosed in accordance with the applicable financial reporting framework (ISA 550);
- (j) performed adequate audit procedures designed to obtain sufficient, appropriate audit evidence that all events occurring between the date of the financial statements and the date of the auditor's report that required adjustment of, or disclosure in, the financial statements had been identified (ISA 560);
- (k) adequately performed and recorded its evaluation of management's assessment of the entity's ability to continue as a going concern (ISA 570);
- (l) disclosed that the entity had a net liability position or recorded that it had considered whether the audit report should be modified (ISA 570);

# HEARING

(m) communicated any deficiencies in the entity's internal control found during the course of its audit to those charged with governance (ISA 265).

14. In addition, ACCA submitted that there were some errors and omissions in the financial statements (although it accepted that these did appear to comply in most respects with the requirements of the Companies Act 1985 and the Financial Reporting Standards).

15. ACCA argued that Mr Woodhouse and the firm had breached Global Practising Regulations (PR) as follows:

(a) PR 13(1) (Appendix) by failing to comply with the International Standards on Auditing (UK and Ireland) in the conduct of audit work;

(b) PR 18 by referring to the firm as 'registered auditors' rather than 'statutory auditors' in the audit report.

16. In his written communications with ACCA, Mr Woodhouse stated that he did not disagree with the overall conclusion of the visit and apologised for the contravention of the rules. He identified specific areas where he did not accept the Compliance Officer's findings but he acknowledged shortcomings in his work.

17. His Counsel advised that, although Mr Woodhouse did not accept each and every criticism of the audit, he recognised that cumulatively the individual breaches were material and amounted to a breach of PR 13(1). She also submitted that:

(a) the criticisms about the audit work should be placed in context, including that the company was not actively trading, meaning that the type of audit work expected would be different from work in respect of a company that was actively trading, and

(b) the case was not one in which the audit opinion was wrong.

# HEARING

18. Further, Counsel for Mr Woodhouse argued that the Guidance for Regulatory Orders identified that a Committee had to balance the interests of the firm against the purpose of a regulatory order and should be the minimum necessary. She advised that Mr Woodhouse's firm was small and that he wished to retain his audit certificate.

19. She identified that, although the separate aspects of mitigation advanced by Mr Woodhouse might not be individually exceptional, together they amounted to a cluster of troubles as follows:

(a) in 2016 he experienced stressful disruption with his practice: an office move after an acrimonious lease termination, IT difficulties, [REDACTED];

(b) he was unfamiliar – although not wholly reliant – on software purchased to support him with his audit work.

20. Mr Woodhouse's Counsel submitted that, since the unsatisfactory monitoring visit in March 2018, Mr Woodhouse had carried out significant steps to improve his work, including:

(a) adopting a new Quality Control Policy;

(b) subscribing to SWAT training and attending 5 days of courses relevant to addressing the areas of deficiency in his audit practice;

(c) seeking advice from his continuity of practice colleague who had agreed to conduct Engagement Quality Reviews under ISA 220.

21. She argued that it would be disproportionate to remove Mr Woodhouse's certificate on the basis of the review of a single audit file and the case was exceptional given that:

(a) the previous referral was over 14 years ago;

(b) Mr Woodhouse had complied with the conditions imposed on his audit certificate by a previous ACCA committee and was released

# HEARING

from them after only a short period showing that he was able to improve;

(c) there were two satisfactory monitoring visits - these demonstrated his commitment to, and ability to, bring about positive change;

(d) he could explain what went wrong before the March 2018 visit and has acknowledged and has insight into his shortcomings as well as having an understanding about how to improve;

(e) he had suggested conditions would monitor achieving that improvement, which would protect the public; and

(f) he has committed to improving, had taken steps to address his shortcomings and taken on board the criticisms of his work.

## **ORDERS AND REASONS**

22. The Committee recognised that under regulation 18 of the Global Practice Regulations, holders of an audit qualification and firms holding an audit certificate shall comply with the ACCA's Rulebook and various standards specified in the Regulations.

23. Further, the Committee recognised that its power to take action in connection with the firm's audit certificate and Mr Woodhouse's audit qualification could only be invoked if one of the grounds set out in regulation 5(2) of the Authorisation Regulations was established. It considered that the only potential relevant ground was set out in regulation 5(2)(f), in essence, if ACCA demonstrated there had been a material breach of regulations, rules and codes of practice.

24. The Committee carefully considered each of the breaches alleged by ACCA together with the written and oral submissions made on behalf of Mr Woodhouse. It considered whether there was a breach, as alleged, and, if so, whether this breach was material. In this regard, the Committee recognised that Mr Woodhouse accepted that cumulatively the breaches on his audit file amounted to a material breach.

# HEARING

25. As is reasoned below, the Committee found that there had been a considerable number of significant and fundamental breaches on the audit file. There were a small number of breaches that the Committee found were not individually material. However, it determined that the majority of breaches were material individually and, moreover, that collectively there was a clear material breach of the standards.
26. The Committee recognised that the material breaches only related to one audit file. However, it was concerned about the fundamental and widespread failure to perform the audit to the standard required within his single and only audit file.
27. The Committee found that the firm had breached International Standard on Quality Control 1 (ISQC1) by not having adequately tailored policies and procedures in place. The Committee considered that ISQC1 is central to the overall quality of audit work. It requires the firm to outline the leadership responsibilities and the quality control policies and procedures that underpin the firm's approach to audit work. Given the fundamental nature of this standard, the Committee considered that a breach of it is material and of particular concern.
28. The Committee found that there was a breach of ISA 210 in respect of the terms of engagement. Mr Woodhouse accepted that there was no signed copy of the engagement letter on the file. He stated that an engagement letter had been provided and a signed copy returned by the audit client, although it was not on the audit file. This Committee regarded this as a material breach: without a copy of a signed engagement letter being placed on an audit file, an auditor cannot demonstrate that the client has acknowledged its own management responsibilities and also agreed with the terms of the audit.
29. The Committee found that there was a breach of ISA 260. As he accepted, Mr Woodhouse had not written to those charged with governance to inform them about the planned scope and timing of the audit or the auditor's views about significant qualitative aspects of the entity's accounting practices. It

# HEARING

considered that not communicating these aspects and the responsibilities as auditors of the financial statements was a material breach.

30. Owing to the inadequacy of the information available on file to show the firm's understanding of the audit client and its environment, the Committee found a breach of ISA 315. Mr Woodhouse subsequently demonstrated some understanding of the nature of his client's business and its environment, but this was not documented in the audit file. The Committee was satisfied that it was a material breach for an audit to contain insufficient information about the nature of the client, its internal controls, including its accounting systems, and the industry in which it operates, including any regulatory requirements. These matters should have been documented to demonstrate the understanding required by the Standard.

31. Mr Woodhouse described the audit client as an informally run company and that the audit was not controls based. The Committee considered that the fact that the audit client had had limited trading that year was not relevant to the requirements contained under ISA 240.26/31. The Committee judged that, irrespective of the size and trading profile of a company, an audit file must contain adequate information to show that:

(a) the risks of fraud relating to management overriding controls and revenue recognition had been considered; and

(b) the audit had been planned, and audit procedures performed to address these risks. In the Committee's view, without a proper plan to address the risks of fraud, it would not be possible to say that an audit opinion was correct. It regarded this breach as material.

32. The Committee considered that the requirements of ISA 300 on planning the audit were an all-encompassing. Whilst the Committee was satisfied that Mr Woodhouse had knowledge of the audit client, it – and more importantly, another experienced auditor coming to the file – could not be aware of the extent of his knowledge and how this influenced the overall strategy for the audit in terms of scope, timing and direction. This was because there was no adequate planning documentation. In particular, there was no identification of the key areas of the audit and the testing methods required

# HEARING

to collate adequate audit evidence. This was, in the Committee's view, a significant deficiency and a material breach of the Standard.

33. The Committee recognised that Mr Woodhouse accepted the criticisms about the lack of documentation on the audit file. It did not, however, agree with his submission that the lack of documentation was mitigated by the limited activities undertaken by the audit client. It was satisfied that the failure to prepare adequate audit documentation was a breach of the requirements of ISA 230 and that this was material; an experienced auditor would not be able to pick up the file and be confident that the audit work undertaken was appropriate and sufficient to support the audit opinion.
34. ACCA alleged that there were a number of significant deficiencies in the extent and quality of audit evidence contrary to ISA 500. It was further alleged that in breach of ISA 550, the firm had not performed and recorded adequate procedures in order to identify the audit client's related parties, recognise any fraud risk factors arising and the impact of these risk factors on the audit approach and ensure that the related parties had been accounted for and disclosed in accordance with the applicable financial reporting framework.
35. Mr Woodhouse argued that ACCA's criticisms are principally because of a difference in view about the level of materiality to be applied. The Committee noted that Mr Woodhouse now recognised that his figure of £10,000 for materiality was too high. However, it considered there was a breach of the requirement to collate adequate evidence to support an audit opinion. Owing to the importance of evidenced audit work and the significant inadequacies on this firm's audit file, it considered this was a material breach. Further, it considered that identifying and testing related parties was an important aspect of an audit. In the absence of any such testing recorded on the firm's audit file - which was accepted by Mr Woodhouse - there was a material breach of the standards expected of him and his firm.
36. The Committee was satisfied that the firm had not performed adequate audit procedures designed to identify and obtain sufficient, appropriate audit evidence about subsequent events. Mr Woodhouse accepted that the working papers did not adequately deal with this at the time. The Committee

# HEARING

considered that not adequately dealing with events that could have occurred between the date of the financial statements and the date of the audit report that could have affected the financial statements was a substantial deficiency and a material breach of ISA 560 on Subsequent Events.

37. The Committee considered that not gathering evidence to demonstrate that, and not evaluating whether, an audit client is a going concern is in breach of ISA 570. Mr Woodhouse accepts these deficiencies. The Committee judged that these deficiencies were serious and fundamental to the nature of an audit and, as such, were material.
38. The Committee accepted that the firm had not communicated whether or not it had identified deficiencies in the audit client's internal control during the course of its audit, contrary to ISA 265. However, the Committee considered that ACCA had not provided sufficient evidence for it to be satisfied that this was a material breach in these circumstances.
39. Similarly the Committee could not be satisfied that the errors and omissions found in the audit file as part of the compliance requirements under the Companies Act 1985 and the Financial Reporting Standards were material.
40. Finally, although it was content that contrary to PR 18, the firm had been referred to as 'registered auditors' rather than 'statutory auditors', it considered that this was not a material breach.
41. Having made these findings of fact, the Committee went on to determine what regulatory action, if any, it should take in the public interest. The Committee first carefully considered whether the 'cluster of troubles' that Ms Evans described Mr Woodhouse as experiencing could properly be regarded as exceptional circumstances, which mitigated the material breaches on the file. The Committee acknowledged there had been a series of unfortunate events. However, it considered that these did not amount to exceptional circumstances on either an individual or collective basis. It was mindful that the firm only had to conduct an audit for one client.
42. The Committee regarded the issues connected with Mr Woodhouse's lease, IT difficulties, the absence of staff and software problems as matters that

## HEARING

could be more appropriately described as being expected in the ordinary course of running a business, rather than being exceptional. It was because an audit practice could expect such external factors that it was necessary to have robust business continuity arrangements in place to manage such situations. When he faced the 'cluster of troubles' Mr Woodhouse should have triggered his continuity of practice arrangements if he considered there was a risk to the standard of his and the firm's audit work.

43. The Committee had sympathy for Mr Woodhouse [REDACTED]. However, in his letter dated 5 July 2018, Mr Woodhouse stated that he "[REDACTED]". The audit report was completed in September 2017 - prior to Mr Woodhouse becoming aware of his [REDACTED].

44. The Committee recognised that Mr Woodhouse had been released from his previous audit-related conditions after a satisfactory visit in November 2004 – almost 14 years ago. Prior to the visit that had triggered the current referral to the Committee; the firm had been subject to only one other visit. This had taken place in June 2011. This was also a satisfactory visit. However the Committee considered there was an expectation that an auditor would comply with the ISAs for every audit file at any point in time; a satisfactory visit should be the norm.

45. Further, the Committee noted that the firm did not hold any audit appointments at time of the visit in June 2011. Therefore, although Mr Woodhouse had acted on the conditions imposed on his qualification in 2003, and had an unblemished career since being released from those conditions in 2004, the only audit file that had been reviewed since then was the file reviewed at the visit in March 2018. This was the audit file referred to this Committee, which it had found contained numerous material breaches of the standards expected from audit work. The Committee therefore considered that Mr Woodhouse, and the firm, had not been able to sustain the learning from the 'hot' reviews and conditions imposed in 2003 and appeared to be not only uninformed about the content of the ISAs, but also the purpose of them.

46. The Committee recognised that Mr Woodhouse had positively reacted to the unsatisfactory visit in March 2018 and had willingly started to address the

# HEARING

deficiencies. Mr Woodhouse had attended five days of courses. These courses appeared relevant to the areas where the audit file was inadequate. Further, Mr Woodhouse had addressed his unfamiliarity with the audit software and had identified another auditor who had agreed to conduct Engagement Quality Control reviews under ISA 220 – effectively to conduct ‘hot’ reviews.

47. The Committee recognised the efforts that Mr Woodhouse had exerted and considered that this was to his credit. The Committee considered that his conduct following the unsatisfactory visit demonstrated that he had some insight into his failings and a willingness to remediate. However, it considered that the steps Mr Woodhouse had taken, whilst valuable, were insufficient to reassure the Committee that he had adequately addressed the fundamental deficiencies that the review of the audit file had revealed and the public would be protected for the future.

48. The Committee considered that Mr Woodhouse needed to gain, and demonstrate, an in depth and sustainable understanding of the standards of audit work, most specifically the requirements of the ISAs and the ISQC. In addition, it considered that he needed to design a strategic plan to maintain any improvements generated by his attendance at the courses and to ensure that this learning was cascaded within his firm. Further, the Committee remained uncertain about the steps he intended to take to keep himself and his firm up to date with developments in effective audit practice. In the Committee’s view, a plan to sustain and maintain improvements and keep his audit practice up to date was particularly crucial given that the firm did not have a critical mass of audit work - at present it had only one audit client, whose audit file was the subject of these proceedings.

49. Although the Committee accepted that Mr Woodhouse had agreed arrangements that would allow audit work to be checked by another experienced practising auditor and for advice to be sought from this individual, it was concerned that this arrangement may not provide a long-term solution, not least because previous ‘hot’ reviews had not had lasting impact on the quality of his work. Having his work overseen, would not ensure that Mr Woodhouse and his firm could independently comply with the standards and requirements placed on them.

# HEARING

50. The Committee fully appreciated that it needed to reach a proportionate decision about what regulatory order, if any, it should impose and that it should take the minimum action necessary in the public interest. It recognised that it needed to balance the interests of Mr Woodhouse and his firm against the wider public interest. It had regard to the Guidance on Regulatory Orders and, in particular, the sections that had been drawn to its attention by the parties and the legal adviser, including sections 2, 7 and 8.

51. Having considered the arguments and mitigation advanced by Mr Woodhouse together with the submissions from ACCA, the Committee considered whether concluding this matter with no order would be sufficient to uphold professional standards and the public interest and be proportionate. In reaching its decision, the Committee noted that audit opinions were relied on by the public. The standards and requirements for audit work were in place to ensure that the public has confidence in an audit opinion and are protected from the risk of making decisions based on inadequate audits. The Committee recognised that the breaches on the firm's file related to one audit file, for the firm's only audit client. However, it considered that the breaches were so wide ranging and significant that they represented a fundamental failure to comply with – and understand – the standards and requirements of audit work. In these circumstances the Committee decided that would not be sufficient to conclude this matter in the public interest with no action.

52. The Committee acknowledged that Mr Woodhouse had advanced a number of conditions that he considered would protect the public. It was submitted on his behalf that he should be provided with one final chance. The Committee carefully and thoroughly considered whether it would be sufficient and proportionate to conclude this matter with the imposition of conditions. The Committee determined that it would not be sufficient to conclude the matter by imposing conditions. The Committee considered that Mr Woodhouse had insight and was evidently willing to take remedial action. However, the Committee was not satisfied that Mr Woodhouse had complete insight into the extensive and pervasive failures on the audit file, nor did he appear to hold an in depth knowledge and understanding of the

# HEARING

actions he and his firm needed to undertake in order address the fundamental deficiencies on his audit client file in a sustainable way.

53. As it has explained above, the Committee acknowledged that there had been a series of unfortunate events but it considered that these did not amount to exceptional circumstances which would excuse and explain the deficiencies on the file.
54. Further, the Committee considered that Mr Woodhouse had not been able to sustain compliance with the audit standards following earlier conditions. Conditions, including 'hot' reviews had previously been imposed for a period of one year and no further issues had been identified for a period of 14 years. However, as identified above, the extent to which this chronology offered the Committee reassurance was tempered by the fact that the next audit file to be reviewed was the file that led to the referral to this Committee. Further, whilst the Committee recognised that the Guidance for Regulatory Orders included 'hot' reviews in the list of conditions that could be imposed, it acknowledged that ACCA argued that such action was ineffective in securing lasting compliance.
55. The Committee recognised that Mr Woodhouse had offered to limit the audit work to one audit client (the firm's existing client) and to regulatory work for three solicitor's firms. The Committee formed the view that this would not address or resolve the issues. The firm only had one audit file at the moment and yet had conducted an audit that was significantly deficient. Further, there were potential risks associated in operating an audit practice that only conducted a limited number of audits, including risks linked to a lack of regular exposure to, experience of, and acquired familiarity with, the requirements and expectations set out in the ISAs and the ISQC.
56. Consequently, having carefully considered whether any conditions could be imposed to address the failings and the circumstance of the case, the Committee determined that there were none and that it would not be sufficient to conclude the matter by placing conditions on the firm's and Mr Woodhouse's certificates.

# HEARING

57. The Committee did not consider that was appropriate to conclude the matter with an order for suspension. A suspension, whilst offering temporary protection to the public, would not ensure that Mr Woodhouse and his firm would be able to conduct audit to a satisfactory standard in the future. Further, such an order would not reflect the wide-ranging and fundamental deficiencies that had been identified in the firm's single audit file nor the fact that this was a second referral to the Admissions and Licensing Committee. One of the purposes of a regulatory order was to provide the public with confidence that audit opinions were reliable and that action would be taken where audit work was inadequate and unreliable.

58. Consequently, the repetition of audit failure; the extensive, wide ranging, significant deficiencies on the firm's only audit file; the absence of exceptional circumstances; the lack of in depth insight and the absence of a strategic plan demonstrating a full understanding of the action required to address the deficiencies and sustain improvements for the future, led the Committee to conclude that the only appropriate order was one that withdrew the firm's auditing certificate and Mr Woodhouse's audit qualification. The Committee considered that such an order, combined with a requirement to provide a strategic plan, undertake further courses and pass ACCA's professional audit qualification, would combine to address the need to protect the public, maintain public confidence in the profession and its audit work, as well as declaring and upholding proper standards of conduct of audit work.

59. The Committee therefore made an order pursuant to Authorisation Regulation 5(2)(f) that:

(a) Mr Woodhouse's practising certificate with audit qualification and the firm's auditing certificate be withdrawn and he be issued with a practising certificate; and

(b) any future application for audit registration by Mr Woodhouse, or by a firm in which he is a principal, must be referred to the Admissions and Licensing Committee, which will not consider the application until:

# HEARING

- (i) he has provided an action plan, which ACCA regards as satisfactory, setting out how Mr Woodhouse intends to prevent a recurrence of the previous deficiencies,
- (ii) attended a practical audit course , approved by ACCA, and
- (iii) following the date of this order, passed paper P7 (or the equivalent advanced level audit paper) of ACCA's professional qualification.

60. The Committee was satisfied that it was unnecessary to impose any further orders under the additional sanctioning powers contained within the Statutory Auditor and Third Country Auditors Regulations 2016 (SATCAR).

## **EFFECTIVE DATE OF THE ORDER**

61. The Committee considered that its order should have immediate effect. It was satisfied that this was in the public interest.

62. Given the significant failings and deficiencies that needed to be fully addressed and the fact that it understood that Mr Woodhouse was actively carrying out audit work, the Committee was concerned that unless its order had immediate effect, the public could be placed at risk.

## **PUBLICITY**

63. On behalf of Mr Woodhouse, Ms Evans submitted that the publication of the Committee's order would cause disproportionate damage to Mr Woodhouse and his firm. She argued that, as a consequence, Mr Woodhouse's identity must not to be published with the Committee's determination in accordance with regulation 6 of the SATCAR.

64. Ms Evans argued that the disproportionate damage related to the fact that the Committee's order only related to Mr Woodhouse's audit work and yet there was potential for the determination to be misinterpreted by other clients of the firm and for Mr Woodhouse to suffer disproportionate damage on his business as a consequence.

## HEARING

65. She expressed concern that the order would be available on ACCA's website for a period of 5 years and stated that this would be disproportionate in the circumstances and where, as it was hoped, Mr Woodhouse had subsequently passed his qualification, complied with the Committee's order and had his audit qualification reinstated.
66. ACCA opposed the application. The Case Presenter identified the need for justice to be seen to be done by the public and argued that Mr Woodhouse was not in a different position from any other auditor who had had his or her qualification or certificate withdrawn; there was nothing unusual about the case and a disproportionate impact had not been identified in these circumstances.
67. The Committee recognised that advance publicity had been provided about these hearings naming Mr Woodhouse and that these hearings had been in public with Mr Woodhouse clearly identifiable. There was a public interest in the conclusion of a case being able to be linked to a hearing that had already been publicised and in showing that justice was being administered fairly. Moreover, where an auditor's work had been found to be seriously deficient, identifying that auditor supported the need to protect the public. Further, there was a wider public interest in members of the profession being able to see the final determination – although the Committee recognised that the learning benefit could be achieved in an anonymised decision.
68. It was in this context that the Committee considered whether publication of Mr Woodhouse's identify would cause disproportionate damage. If the publication would cause him disproportionate damage that would displace the normal requirement for a decision to be published identifying the individual auditor. The Committee acknowledged Mr Woodhouse's concerns and recognised that there were no findings about Mr Woodhouse's non-audit work. However, it was not satisfied that the arguments advanced on his behalf amounted to demonstrating that there would be disproportionate damage caused if his name was published. The Committee considered that Mr Woodhouse had had identified a theoretical risk of damage – a potential

# HEARING

risk that applied in every case – but had not shown the publication would cause disproportionate damage.

69. The Committee therefore determined that it would not be disproportionate for Mr Woodhouse's name to be published with its determination.

**Mrs Helen Carter-Shaw**  
**Chairman**  
**24 September 2018**