

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

REASONS FOR DECISION

In the matter of: Mr Bashir Ahmed FCCA

Heard on: Tuesday, 21 May 2019

Location: ACCA, The Adelphi, 1-11 John Adam Street, London, WC2N 6AU

Committee: Suzan Matthews (Chairman)
Arif Kamal (Accountant)
Grahame Owen (Lay)

Legal Adviser: Judith Chrystie (Legal Adviser)

Persons present

and capacity: Ms Sarah Cawley-Wilkinson (ACCA Case Presenter)
Ms Pamela Ramphal (Hearings Officer)

OUTCOME: **Firm's audit certificate withdrawn**

**Mr Ahmed's practising certificate with audit qualification
withdrawn and be issued with a practising certificate**

**Any future re-application be referred to Admissions and
Licensing Committee**

SERVICE OF PAPERS

1. Mr Ahmed was neither present nor represented.
2. The Committee received a Service Bundle (numbered with pages 1-11). The Committee was satisfied that the Notice dated 16 April 2019 had been sent to Mr Ahmed's registered email address in accordance with regulation 6(1) and regulation 11 of the Authorisation Regulations 2014 (as amended 1 January 2019) ('the Regulations'). It determined that there had been proper service of the Notice of Hearing under the Regulations.

PROCEEDING IN ABSENCE

3. The Committee determined it should exercise its discretionary power in regulation 6(7) of the Regulations to proceed in Mr Ahmed's absence. The Committee was mindful that it should proceed in a member's absence with the utmost care and caution and should consider whether Mr Ahmed had voluntarily waived his right to attend the hearing.
4. The service bundle contained correspondence between ACCA and Mr Ahmed which ended with an email from the Hearings Officer to Mr Ahmed dated 17 April 2019, which enclosed a note of telephone conversation between Mr Ahmed and the Hearings Officer that day. The note stated that Mr Ahmed had called the Hearings Officer and stated that he would not be attending the Committee in person nor by video or telephone link and that he did not want anyone to attend on his behalf. The note also stated that Mr Ahmed confirmed that he was content for the Committee to proceed in his absence.
5. The Committee was satisfied that Mr Ahmed was aware of today's proceedings and had not made an application for an adjournment. The Committee was mindful that the proceedings were in relation to the manner in which audits had been conducted and arose in June 2018 (nearly a year ago) and recognised there was a public interest in regulatory proceedings being dealt with expeditiously.

6. Finally, the Committee considered that there would be no benefit in not proceeding with the hearing given Mr Ahmed's clear intention not to participate. It was clear that he had voluntarily waived his right to attend and the Committee was satisfied that it was proportionate and fair to proceed in Mr Ahmed's absence.

BRIEF BACKGROUND

7. The Committee received a main bundle with page numbered 1-34. Mr Ahmed FCCA holds a practising certificate with audit qualification. He is a sole practitioner of Bassons Limited ('the firm'), which is regulated for audit purposes.
8. On 26 June 2018, a routine monitoring visit was conducted by a Senior Compliance Officer at ACCA.
9. The firm had fifteen limited company audit clients. Of the audit clients:
 - a. On thirteen files, Mr Ahmed appeared to have issued audit reports on the financial statements without carrying out any significant audit work.
 - i. Three of the audit clients were also tax and accountancy clients of an unqualified firm ('the unqualified firm')
 - ii. Twelve were tax and accountancy clients of another ACCA firm, which does not hold audit registration ('the firm without audit registration').
10. When the firm renewed its audit registration and the Compliance Officer booked the monitoring visit, Mr Ahmed did not disclose that in the 24 months prior to the monitoring visit, the firm had signed audit reports relating to the twelve clients of 'the firm without audit registration'. In a list submitted to the Compliance Officer prior to the visit, Mr Ahmed described these businesses as 'no more our client'. The files for these twelve businesses were not inspected as Mr Ahmed was not able to obtain access to them nor show any evidence of having complied with the International Standards on Auditing (ISAs).
11. The Compliance Officer found three limited companies where accounts had been filed at Companies House with the firm's name on the audit reports although the

reports were not signed. The files in respect of these audit clients were held by 'the unqualified firm'. Mr Ahmed stated he was not aware that these audit reports had been filed with Companies House and took steps to disassociate himself and his firm from these reports

12. Two of audit files were obtained from 'the unqualified firm' for inspection. Mr Ahmed stated that there was no audit file for the third client as the accounts comprised only a property and consequent rental income.
13. On the two audit files inspected, the Compliance Officer found there were serious deficiencies in the audit evidence obtained and, as a result, the audit opinions on the files inspected would not have been properly supported. More specifically, the Compliance Officer found that the firm was relying on audit work carried out by staff of 'the unqualified firm' as follows:
 - a. There was little evidence on the audit files that Mr Ahmed had properly planned and controlled the audit work on which he intended to depend;
 - b. The planning documentation had been prepared by the principal of, or staff employed by, of 'the unqualified firm';
 - c. Mr Ahmed did not appear to have approved the audit plan before the detailed work commenced;
 - d. Mr Ahmed had initialled some of the working papers to indicate that he had reviewed them but there was no record of any discussion with 'the unqualified firm' – as the Compliance Officer was advised happened - about further work required before Mr Ahmed would sign the audit reports;
 - e. The firm had not issued engagement letters to each client;
 - f. Mr Ahmed did not appear to have had sufficient direct contact with the clients and there was no correspondence between them and the firm (Mr Ahmed invoiced 'the unqualified firm' for the audit reviews)

- g. It was not evident from the files that Mr Ahmed had dealt with the clients on such matters as planning, subsequent events and going concern reviews and management representations in his capacity as auditor.

14. On 14 August 2018, Mr Ahmed responded to the Compliance Officer's report of the monitoring visit dated 19 July 2018. He stated that the findings were justified, his records were not up to standard and that he would endeavour to improve in the future. He continued by stating that he did not wish to make excuses but that he wished the following to be considered:

[PRIVATE]

15. In light of the findings of the Compliance Officer at the visit, which were set out in a report contained in the Committee's bundle, ACCA submitted that:

- a. the firm was in breach of PR 5(1)(g) by not having arrangements to prevent individuals who are not qualified to carry out audit work in the United Kingdom and persons who are not members of the firm from being able to influence the conduct of audits
- b. Mr Ahmed was not a 'fit and proper' person under GPR 8(2)(d).

16. ACCA argued that the firm is in breach of PR 5(1)(g). This required that to be eligible for an auditing certificate a firm must have arrangements in place to prevent persons who:

- a. Do not hold an appropriate qualification to conduct audits and
- b. Are not members of the firm from being able to exert any influence over the way in which an audit is conducted in circumstances in which that influence would be likely to affect the independence or integrity of the audit.

17. ACCA submitted that Mr Ahmed could not remedy the situation and put adequate arrangements in place to satisfy the requirements of PR 5(1)(g)

18. ACCA argued that Mr Ahmed may not be a 'fit and proper' person under GPR 8(2)(d) because he has breached a number of applicable regulations, namely:

- a. GPR 14(2), which requires that "members must supply the Association with all the information necessary to enable the Association to complete its monitoring process and quality assurance programme efficiently." – Mr Ahmed failed to disclose the existence of all audit clients and was unable to demonstrate any credible attempt to carry out, or document audit in relation to twelve clients of 'the firm without audit registration' and one client of 'the unqualified firm',
- b. section R111(2)(a) of Code of Ethics and Conduct (CEC), which requires that a professional accountant shall not knowingly be associated with a report which contains a materially false or misleading statement - Mr Ahmed signed twelve, and associated himself with one other, audit reports which state that his firm has carried out an audit in accordance with the International Standards on Auditing when this was evidently not the case.
- c. section R113.1(b), which requires an accountant to act diligently in accordance with applicable technical and professional standards when providing professional services.
- d. PR 13(1), which requires that, in the conduct of audit work, holders of an audit qualification and firms holding an auditing certificate shall comply with all the applicable sections of the Association's Rulebook and "in particular the ACCA Code of Ethics and Conduct... and the technical, ethical and quality control standards issued by the UK competent authority under the Statutory Auditors and Third Country Auditors Regulations."
- e. Section B6 of the CEC which requires members to retain audit working papers for a minimum of seven years.

19. ACCA sought an appropriate order which it recommended was:

- a. removal of the firm's auditing certificate,
- b. removal of Mr Ahmed's practising certificate with audit qualification and the issue of a practising certificate.

DECISION ON FACTS AND REASONS

20. The Committee accepted the findings of the Senior Compliance Officer as set out in the Committee bundle. It noted that Mr Ahmed had not disputed the findings – indeed, in his written correspondence with ACCA he described the findings as “justified” and admitted that his records were not up to standard.
21. Having accepted the factual findings, the Committee first considered the firm's eligibility to hold an auditing certificate. The Committee appreciated that, under the Regulations, it would be required to withdraw the firm's certificate if it considered the firm has ceased to be eligible to be issued with the certificate and that the situation, if remediable, has not been remedied within a period of time specified in a notice to the firm.
22. The Committee was satisfied that ‘the unqualified firm’ and ‘the firm without audit registration’ exercised control over the audit files and, as a consequence, were able to exert influence over the way in which the audits are conducted, in circumstances in which that influence would be likely to affect the independence or integrity of the audit. This would be a breach of PR 5(1)(g), which called into question the firm's eligibility to hold an audit certificate.
23. The Committee did not consider that the situation was remediable. Given the circumstances, it was not content that adequate arrangements had, or could be, put in place to satisfy the requirements of PR 5(1)(g). Further, it noted that Mr Ahmed, on his firm's behalf, had made no proposals regarding remedial arrangements.
24. The Committee went on to consider whether Mr Ahmed was a fit and proper person to hold a practising certificate with audit qualification.” The Committee accepted ACCA's submission Mr Ahmed had breached:

- a. GPR 14(2) by failing to provide all the information necessary to allow ACCA to complete its monitoring process and quality assurance programme efficiently,
- b. CEC R111.2 and CEC R113(1)(b) and PR 13(1) by issuing, or otherwise associating himself with, audit reports which contained a statement that the audit was carried out in compliance with auditing standards without any meaningful evidence to support that statement,
- c. CEC B6 and PR13(1) by failing to retain audit documentation.

25. It considered that these breaches were material – they were serious and significant, particularly given that audit opinions are available at Companies House and relied on by the public. Further, the Committee was particularly concerned that Mr Ahmed had failed to disclose his audit work and clients to his own regulator – this was false, misleading and inaccurate information. It considered that this failure, together with the material breaches identified above, meant that Mr Ahmed was not a fit and proper person under PR 8.

ORDER AND REASONS

26. Having found the circumstances that demonstrated that the firm was no longer eligible to hold an audit certificate and determined that the situation was not remediable, the Committee recognised that a mandatory ground for removing the firm's certificate was triggered under regulation 5(1)(a) of the Regulations. It was therefore required to order the withdrawal of Bassons Ltd's audit certificate.

27. Under the Regulations, the Committee recognised that it had discretion to withdraw, suspend or impose conditions upon a certificate on a number of grounds. These included where:

- a. the holder of a certificate or any of its partners, members, directors or controllers has committed a material breach of any of these regulations or any other rules and regulations or codes of practice to which he or they are subject (or were subject prior to 1 January 2014) in the carrying on of the activities to which the certificate relates or authorises; or

- b. the holder of the certificate is not a fit and proper person to hold the certificate in question within the meaning of the Practising Regulations.

28. In determining whether to exercise its discretion under regulation 5(2)(f) of the Regulations to withdraw Mr Ahmed's audit qualification, the Committee considered the personal mitigation advanced by Mr Ahmed. The Committee considered the mitigation did not excuse his behaviour or provide a sufficient reassurance or remedy.

29. Further, whilst Mr Ahmed had indicated a willingness to improve, he had not provided any detail or action plan to demonstrate how he intended to improve his auditing practice.

30. The Committee was aware that it should exercise its discretion in the public interest which involved protecting the public, ensuring public confidence in the profession and in declaring and upholding proper standards of conduct. It considered that his failure to disclose the information about his audit work and clients was a serious issue that meant he was longer fit and proper to hold an audit qualification. Further, Mr Ahmed had materially breached a number of regulations, rules or codes of conduct. Considering all the circumstances of this case, the Committee concluded that the only appropriate and reasonable order that would protect the public interest was to withdraw Mr Ahmed's practising certificate with audit qualification.

31. The Committee made the following order:

1. the firm's audit certificate be withdrawn
2. Mr Ahmed's practising certificate with audit qualification be withdrawn and he be issued with a practising certificate;
3. any future re-application for audit registration by the firm, Mr Ahmed or by a firm for which Mr Ahmed is a principal must be referred to the Admissions and Licensing Committee, which will not consider the application until Mr Ahmed has provided an action plan, which ACCA regards as satisfactory, setting out how Mr Ahmed intends to prevent any recurrence of the serious failures in auditing practice.

EFFECTIVE DATE OF ORDER

32. The Committee considered that was in the interest of the public for its order to have immediate effect. In making its decision it was mindful that Mr Ahmed and the firm had a significant number of companies for whom he, and it, purported to undertake audit work. In light of its findings and the lack of proactive action by Mr Ahmed to improve his practice, it considered that public protection necessitated the order having immediate effect.

HH Suzan Matthews

Chairman

21 May 2019