

## HEARING

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

#### REASONS FOR DECISION

**In the matter of:** Mr Demetrakis Zemenides

**Heard on:** Tuesday, 28 May 2019

**Location:** Chartered Institute of Arbitrators, 12 Bloomsbury Square, London,  
WC1A 2LP

**Committee:** Mrs Helen Carter-Shaw (Chairman)  
Mr Jonathan Beckerlegge (Accountant)  
Mrs Judith Venables (Lay)

**Legal Adviser:** Mr Leighton Hughes (Legal Adviser)

**Persons present**

**and capacity:** Ms Sarah Cawley-Wilkinson (ACCA Case Presenter)  
Mr Demetrakis Zemenides (Member)  
Mr Richard Lorkin (Hearings Officer)

**Observers:** None

**Summary** Conditions imposed upon Mr Zemenides' practising certificate with  
audit qualification , and the auditing certificate of Goodman  
Lawrence and Co.

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1. The Committee had before it hearing bundles paginated 1-17 and 18-23.
2. ACCA was represented by Ms Cawley-Wilkinson. Mr Zemenides was present and not represented.

### **The Background and ACCA's case**

3. Goodman Lawrence & Co ("the firm") is the sole practice of ACCA member, Mr Demetrakis Zemenides FCCA. Mr Zemenides was admitted as a member on 13 September 1979.
4. The firm was the subject of a monitoring visit on 21 and 22 November 2018. The firm had 16 limited company audit clients on which it had issued audit opinions. Three of the audit files were selected for inspection. ACCA's case was that a number of serious deficiencies were found in the audit work.
5. Prior to the current visit, the firm had five previous monitoring visits in 1993, 2002, 2006, 2009 and 2013.
6. The outcome of the first visit, in November 1993, was satisfactory.
7. At the second visit, in March 2002, the Compliance Officer informed the firm of serious deficiencies in the audit work, which had resulted in audit opinions not being adequately supported by the work performed and recorded. The report on the visit set out these deficiencies, and this report was sent to the firm on 15 May 2002. The firm acknowledged receipt of the report in a letter dated 19 September 2002 and outlined the action that the firm was taking.
8. At the third visit, on 31 May 2006, the Compliance Officer found that although the firm had engaged a training company to perform cold reviews of some audit files, it had not made adequate improvement to its procedures. The opinions on two of the three files inspected was not adequately supported by the work performed and recorded. ACCA reported its findings to the Admissions and Licensing Committee.

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9. At its meeting on 26 September 2006, the Committee agreed to make an order pursuant to Authorisation Regulation 5(1)(f) that Mr Zemenides be required to:
- i) have all future work on ten audit clients, selected by the Regulation and Monitoring Department, and all other work in respect of reports to any regulatory body reviewed by a training company before reports are signed, such training company being subject to ACCA approval;
  - ii) notify ACCA within six weeks of the date of written notification of this decision of the identity of the training company referred to in (i) above;
  - iii) be subject to an accelerated monitoring visit before 30 September 2008 at a cost to the firm of £900 and £250 for each additional audit qualified principal; and.
  - iv) note that failure to make the necessary improvements in the level of compliance with auditing standards and with the requirements of any regulators by that time will jeopardise his and his firm's continuing audit registration.
10. At the fourth visit, on 14 January 2009, the Compliance Officer found that the firm had significantly improved its audit procedures. Although some deficiencies remained in the audit work, overall the outcome was satisfactory. The report was sent to the firm on 4 February 2009 releasing the firm from the terms of the Committee's order on audit work. The Compliance Officer warned the firm in the concluding paragraph of the report, that failure to maintain a consistent satisfactory standard of audit work may jeopardise the firm's continuing audit registration. The firm confirmed receipt of the report on 11 May 2009.
11. At the fifth visit, on 8 July 2013, the Compliance Officer found that while the outcome of the visit on the conduct of audit work was satisfactory, there were some weaknesses in the performance and recording of the work, and these were significant on one file. The report was sent to the firm on 30 July 2013, which

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included a warning that failure to maintain a consistent satisfactory standard of audit work may jeopardise the firm's continuing audit registration. The firm acknowledged receipt of the report in an email dated 22 August 2013 and provided an action plan detailing the action that the firm intended to take in order to rectify the deficiencies found.

### Summary of findings of current visit

12. At the sixth visit, on 21 and 22 November 2018, the Compliance Officer found that the firm had not maintained adequate audit procedures. It had failed to implement the action plan it had committed to in response to the findings of the previous monitoring visit, and its procedures were not adequate to ensure that it conducts all audits in accordance with the International Standards on Auditing (UK & Ireland) ("ISA"). The firm had not tailored its audit programme as a means to control, and direct the necessary work, and it had not adequately recorded any work which it may have carried out. As a result, on all the files examined the audit opinion was not adequately supported by the work performed and recorded. Although the firm had a documented system of quality control policies, and procedures in place, that appeared to comply with the International Standard on Quality Control 1 ("ISQC1") in most respects, these were not always effective, particularly in the areas of engagement performance and monitoring, in ensuring the firm performed its audit work in accordance with ISA.
13. Full details of the files examined, and deficiencies found, were set out in the appendix to the report. The description 'unsatisfactory' therein was based on the evidence seen on the files at the visit and was an assessment of whether or not the audit opinion was supported on each file inspected.
14. ACCA's case was that Mr Zemenides and the firm had breached Global Practising Regulation ("GPR") 13(1) in that they failed to comply with the International Standards on Auditing (UK) in the conduct of audit work. There were deficiencies in the planning, control and recording of audit work, and in all the three cases examined the audit opinions were not adequately supported by the work performed and recorded.

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15. ACCA regarded the following as the relevant facts for the Committee's consideration of the standard of the firm's audit work:

- i The firm and its principal have had six monitoring visits;
- ii Three of the six monitoring visits had unsatisfactory outcome;
- iii There was improvement to the standard of audit work at the fourth and fifth visits, the outcomes of which were satisfactory;
- iv The recording of audit work had deteriorated significantly at the sixth visit; and
- v The firm had failed to achieve a satisfactory outcome in spite of the advice and warning given at the previous visits and by the Committee.

16. In all the circumstances Ms Cawley-Wilkinson invited the Committee to consider withdrawing the firm's auditing certificate, and Mr Zemenides' audit qualification. It was submitted that this would be in line with the approach set out in the Guidance for Regulatory Orders for visits with unsatisfactory outcomes (at 6.2.4, 6.2.5 and 6.3.6 and at 7.3.2 of the guidance).

### **The submissions of Mr Zemenides**

17. Mr Zemenides did not dispute any of the findings of the Compliance Officer, however he advanced mitigation and an explanation for the failings identified. He described a particularly difficult combination of [Private] that had impacted upon his ability to focus upon his practice, and candidly acknowledged that in his opinion he had failed his profession.

18. Mr Zemenides invited the Committee to conclude that the firm had previously been able to demonstrate a satisfactory standard of audit work over a substantial period from 2006 until the 2018 audit visit, with only limited deficiencies being identified at the monitoring visits in 2009 and 2013. He told the Committee that the firm currently had 9 audit clients, he was supported by five members of staff all of whom were qualified accountants, and that the anticipated issue of a practising

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certificate with audit qualification in 2020 to an existing member of staff, would assist the auditing work in the firm. Mr Zemenides said that he and all practising members of the firm intended to attend a week's auditing course in September in order to further consolidate their auditing skills.

19. Mr Zemenides sought to assure the Committee that the standard of his conduct of audit work in the future would be safeguarded by his further commitment as follows:

- i. having no audit report affixed without the audit files being hot reviewed and a report obtained that the audit opinion is fully supported by the work performed recorded first, and to submit to ACCA the hot Audit review reports;
- ii. having annual independent practice reviews, involving a simulated QAD/Audit Monitoring visit and to submit the report obtained to ACCA;
- iii. having an accelerated Audit Monitoring visit by ACCA at the firm's cost.

### **The Committee's decision**

20. The Committee had regard to the relevant provisions of the Authorisation Regulations (ARs), which set out the Committee's powers. AR 5(2) provides that the Committee may, if in its absolute discretion it thinks fit, withdraw, suspend or impose conditions upon a certificate on seven different grounds. One of these seven grounds, AR 5(2)(f) was submitted to be relevant in this case, namely:

*"it is notified or becomes aware that a 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;"*

21. The Committee was satisfied that ACCA had established a number of breaches of ACCA's Practising Regulation 13 the International Standards of Auditing. The

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Committee found the breaches were material, significant and serious in nature, including breaches of Ethical Standards and the Code of Conduct on independence. None of this had been disputed by Mr Zemenides.

22. The Committee was in no doubt that an order was necessary and appropriate in order to protect the public interest, maintain public confidence in the profession, and to maintain proper standards of conduct. It acknowledged that any order must be the minimum necessary to protect the public, and that it is a pre-requisite of imposing any conditions upon a certificate that the conditions must be appropriate, proportionate, workable and measurable.
23. The Committee had regard to the history of Mr Zemenides' involvement with ACCA in relation to the firm's conduct of audit work. It also bore in mind his personal circumstances. It had at the forefront of its considerations the protection of the public and the wider public interest, together with the principle of proportionality. It also carefully considered ACCA's Guidance for Regulatory Orders (May 2018) ("GRO"), noting that they are guidelines rather than the source of legal obligation. It noted in particular GRO 6.2.1, 6.2.4, 6.2.5, 6.3.6, 7.3.2, 7.5.1, 8.2.2, 8.2.3 and 8.2.4.
24. In all the circumstances the Committee concluded that the withdrawal or suspension of the firm's auditing certificate, and the replacement of Mr Zemenides' current practising certificate with audit qualification with a *simple* practising certificate, was disproportionate on all of the available evidence. The Committee was satisfied that conditions could be imposed upon the firm's auditing certificate that would both protect the public, and the wider public interest, and that Mr Zemenides and the firm should be given a further and final chance to achieve a satisfactory standard of audit work. It found that all save the final bullet point of relevant factors to take into account when imposing conditions (GRO 8.2.4) were met.

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25. Accordingly, the Committee made an order pursuant to Authorisation Regulation 5(2)(f) that Mr Zemenides be required to:

- i. be restricted to accepting no more than 9 audit appointments;
- ii. be subject to "hot" reviews of future work on audit clients, selected by ACCA, and other work in respect of reports to any regulatory body, by a training company before reports are signed, such training company being subject to ACCA approval;
- iii. within 4 months of the date of written notification of this decision undertake, together with all accountancy staff at the firm, an auditing training course, approved by ACCA, of no less than five days;
- iv. within 1 month of completion of the course referred to in paragraph (iii) above, work with a workplace-based training mentor, approved by ACCA, to supervise the implementation of their new-found auditing knowledge on an audit client of the firm acceptable to ACCA;
- v. notify ACCA within 1 month of the date of written notification of this decision of the identity of the training company/companies and mentor referred to in (ii), (iii) and (iv) above;
- vi. have annual independent practice reviews, involving a simulated QAD/Audit Monitoring visit, and to submit the report obtained to ACCA. The first review must take place within 12 months of the date of written notification of this decision;
- vii. be subject to an accelerated monitoring visit before 31 December 2020, at a stage considered appropriate by ACCA and at a cost to the firm of £1,200 and £500 (plus VAT at the prevailing rate) for each additional audit qualified principal;
- viii. note that failure to meet these conditions within the necessary timescales or to make the necessary improvements in the level of compliance with

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auditing standards and with the requirements of any regulations of any regulators by that time will jeopardise his and the firm's continuing audit registration.

### **Effective date of order**

26. The Committee was satisfied that it was in the public interest that this order shall have immediate effect.

### **Publicity**

27. As the Committee's order amounts to a sanction under The Statutory Auditors and Third Country Auditors Regulations 2016 arising from a contravention of a relevant requirement, and in the absence of any representation from Mr Zemenides, this order shall be publicised in such manner as ACCA deems appropriate in accordance with those regulation.

**Mrs Helen Carter-Shaw**  
**Chairman**  
**28 May 2019**