

Think Ahead



HEARING

ADMISSIONS AND LICENSING COMMITTEE OF THE ASSOCIATION OF CHARTERED CERTIFIED ACCOUNTANTS

REASONS FOR DECISION

In the matter of: Mr William George Gibbs, FCCA
Mr Harry Jonathan Daniel, ACCA

Heard on: Thursday, 30 May 2019

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

Committee: Ms Judith Way (Chair)
Mr Martin Davis (Accountant)
Ms Judith Venables (Lay)

Legal Adviser: Mr Iain Ross

**Persons present
and capacity:** Mr Harry Jonathan Daniel (Member)
Mr William George Gibbs (Member)
Mr Ben Jowett (ACCA Case Presenter)
Ms Anna Packowska (Hearings Officer)

Summary: Suspension of Audit Qualifications and the Firm's Audit
Certificate with immediate effect

PRELIMINARY APPLICATIONS

1. ACCA was represented by Mr Ben Jowett. Mr Gibbs and Mr Daniel were present, and were not represented.
2. The Committee had before it papers numbering 1-25, an Additional Bundle numbered 26-34, Tabled Additionals 35-37 and 38-42, and a Service Bundle numbered 1-15.

BRIEF BACKGROUND

3. Pinnick Lewis LLP is the partnership between ACCA members, Mr H J Daniel ACCA, and Mr W G Gibbs FCCA. The partnership, Pinnick Lewis, has had monitoring visits in June 1993, October 1999, July 2003 and March 2008. At these visits there were four partners, including Mr Daniel, and Mr Gibbs from 1998. The outcomes of the first, third and fourth visits were satisfactory, although some deficiencies were identified. These were included in the subsequent reports sent to the firm. At the second visit, in October 1999, the Compliance Officer informed the firm of serious deficiencies in the audit work, which had resulted in the audit opinion on five of the seven audit files, inspected not being adequately supported by the work performed and recorded. The report on the visit set out these deficiencies, and was sent to the firm on 03 December 1999. The firm acknowledged receipt of the report in a letter dated 10 December 1999, setting out the improvements it would make to its audit work.
4. At the fifth visit on 24 and 25 March 2013, when there were three partners, including Mr Gibbs and Mr Daniel, the Compliance Officer informed the firm of serious deficiencies in the audit work, which had resulted in the audit opinion on five of the six audit files, inspected not being adequately supported by the work performed and recorded. The report on the visit set out these deficiencies and was sent to the firm on 06 May 2014. The firm acknowledged receipt of the report in a letter dated 27 May 2014, setting out the improvements it would make to its audit work.

5. At the sixth monitoring visit on 21 and 22 March 2016, the Compliance Officer informed the firm of significant deficiencies in the audit work, which had resulted in the audit opinion on two of the five audit files, inspected not being adequately supported by the work performed and recorded. The report on the visit set out these deficiencies and was sent to the firm on 05 May 2016. The firm was asked to provide an action plan detailing how it would improve the standard of its audit work. The firm acknowledged receipt of the report in a letter dated 10 May 2016, and sent its action plan on 16 and 17 June 2016. In a letter dated 25 July 2016, the Compliance Officer concluded that the audit plan was deficient in some areas and tried to provide additional guidance. She emphasised that, it was very important that the firm implement the action plan, and take into consideration all the points raised in her letter, to ensure that the firm achieved a satisfactory standard of audit work on all files at the next monitoring visit. The follow up visit was brought forward by two years as a result of the weak action plan.
6. At the seventh monitoring visit to the firm on 08 January 2019, only Mr Daniel and Mr Gibbs remained as partners. The Compliance Officer found that the firm did not have effective audit procedures in place. The firm was using a standard audit programme on all audits, but it was not tailoring this to ensure that it met the needs of the audit of each client. There were serious deficiencies in the audit work performed and recorded, and a general lack of compliance with the International Standards of Audits (ISAs). As a result, on three of the four files examined, the audit opinion was not adequately supported by the work performed and recorded.

DECISION ON APPLICATION AND REASONS

7. Mr Jowett took the Committee through the report. The Committee heard oral evidence from Mr Daniel and Mr Gibbs on behalf of the firm and accepted the advice of the Legal Adviser.
8. The Committee identified the following aggravating features of the evidence:

- the firm and its principals, have had seven monitoring visits;
 - the second, fifth and seventh visits had unsatisfactory outcomes;
 - the audit opinions on three of the four files inspected at the seventh visit were not supported by the work performed and recorded;
 - the firm has failed to sustain a satisfactory outcome, in spite of the advice and warning given at the previous visits.
9. Having carefully considered the oral and documentary evidence, the Committee was satisfied that there were breaches of the rules and regulations relating to audit work, particularly in relation to recording work done.
10. The Committee considered that both Mr Daniel and Mr Gibbs failed to demonstrate sufficient insight as to the importance of complying with audit requirements, set out in the ISA's. The Committee was not presented with any evidence that the deficiencies identified would not be repeated, or that the standard of the firm's audit work would improve to an acceptable standard within a reasonable period.
11. In deciding the appropriate order to make, the Committee had regard to the Guidance for Regulatory Orders. It also took into account Mr Gibbs's and Mr Daniel's submissions that they now only had two audit clients, and wished to retain their audit qualification. The Committee also had regard to the fact that no loss had been caused to clients, nor had any complaints been received.
12. The Committee took into account the long history of monitoring visits in this case. In the Committee's view, Mr Gibbs and Mr Daniel and the firm had failed to sustain a consistent satisfactory standard of audit work throughout the period since 1993, and their breaches of the relevant regulations were material.

13. The Committee determined, in all of the circumstances, that it was appropriate and proportionate to suspend Mr Gibbs's and Mr Daniel's audit qualifications. The Committee considered the applicability of The Statutory Auditors and Third Country Auditors Regulations ('SATCAR'). The Committee considered that it was not necessary to apply any additional sanctions under the 'SATCAR' provisions.
14. The Committee made an order pursuant to Authorisation Regulation 6(16) (a)(iii) that:
 - (i) **Mr Gibbs and Mr Daniel's auditing certificates and the firm's audit certificate be suspended until they have (i) provided an action plan which ACCA regards as satisfactory setting out how they intend to prevent a recurrence of the previous deficiencies and (ii) implemented the action plan to ACCA's satisfaction.**

Mrs Judith Way
Chairman
07 January 2020 (as amended)