

HEARING

ADMISSIONS AND LICENSING COMMITTEE OF THE ASSOCIATION OF CHARTERED CERTIFIED ACCOUNTANTS

REASONS FOR DECISION

In the matter of:	Person A and Person B
Heard on:	Tuesday, 3 September 2019
Location:	ACCA's Offices, The Adelphi, 1-11 John Adam Street, London, WC2N 6AU
Committee:	Mr John Wilson (Chairman), Dr Hazel Bentall (Lay Member) and Mrs Suzanne McCarthy (Lay Member)
Legal Adviser:	Mr Sanjay Lal
Persons present and capacity:	Ms Sarah Cawley-Wilkinson (ACCA Case Presenter) and Miss Rachael Davies (Hearings Officer)
Observers:	None
Summary:	Any future re-application for audit registration by Person A, 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

ACCA



+44 (0)20 7059 5000



info@accaglobal.com



www.accaglobal.com



The Adelphi 1/11 John Adam Street London WC2N 6AU United Kingdom

he has attended a practical audit course approved by ACCA, and passed paper P7 (or the equivalent level audit paper) of ACCA's professional qualification.

SERVICE OF PAPERS

1. The Committee had before it a Main Bundle, pages 1-20, a Service Bundle pages 1-29 in respect of Person B and a Service Bundle, pages 1-11 in respect of Mr Person A, an Additional Bundle (1), pages 1-28, Additional Bundle (2), pages 1-6, and Additional Bundle (3), pages 1-2

SERVICE AND PROCEEDING IN ABSENCE

2. The Committee was satisfied that Notice of today's hearing had been served on 31 July 2019, in accordance with the Authorisation Regulations.
3. In respect of the issue of proceeding in absence, the Committee had regard to the letters from Person A's Solicitors, dated 31 August 2019 and 2 September 2019, which state that Person A is surrendering his firm's Audit Qualification, in addition to his own Practising Certificate with Audit qualification with immediate effect, and that he is agreeable to the hearing proceeding in his absence.
4. There was also a telephone confirmation from Person B, notified to the Hearings Officer on the day of the hearing, that he was not going to attend and was content for the matter to proceed in his absence.
5. The Committee was satisfied, having regard to the above, that both Person A and Person B had voluntarily absented themselves, and there was a public interest in the matter being heard.

BRIEF BACKGROUND

6. Firm A was the partnership of ACCA members, Person A and Person B, but the Committee understands that the partnership has been dissolved.
7. The first monitoring visit took place on 17 January 2012. Serious deficiencies in audit work were identified, which resulted in audit opinion not being adequately supported by the work performed and recorded on one of the two audit files inspected, resulting in an overall unsatisfactory outcome.
8. The firm was visited for a second time on 25 and 26 February 2014. On this occasion, the Compliance Officer found the firm was using a standard audit programme on all audits, but not tailoring this to ensure it met the needs of the audit of each client. As a result, on all the files examined, the audit opinion was not adequately supported by the work performed and recorded.
9. In addition, it found that the firm was not eligible to hold an auditing certificate, as required by PR 5(b), because the firm was not in the overall control of Person A.
10. Furthermore, the total fee billed to the firm's largest audit clients, being the members of one group of companies, amounted to more than 15% of the firm's total practice income in its last two accounting years, in continued breach of APB Ethical Standards and in breach of PR 13(1)(a). This matter was also referred to an Admissions and Licensing Committee.
11. The matter was first considered by the Admissions and Licensing Committee on 19 June 2014, when the Committee made the following order:
 - (i) *An executed copy of the amended Partnership Agreement is to be provided to ACCA by 3 July 2014.*
 - (ii) *A copy of the written quotation to G... Group and a signed statement from both partners of the firm as to how they intend to maintain independence is to be provided to ACCA by 3 July 2014.*

- (iii) *A statement signed by both partners setting out the full details of the revised fee structure with the G... Group is to be sent to ACCA within two weeks of the date of the finalised agreement.*
- (iv) *A properly detailed action plan, following the template sent to him by ACCA on 17 June is to be sent to ACCA by 19 July 2014.*
- (v) *On the basis that a properly detailed action plan is provided in accordance with (iv) above, pursuant to Authorisation Regulation 5(1)(f) (sic) Person A be required to:*

 - a. *Have all future audit work on four clients selected by Governance - Practice Monitoring, and all other work in respect of reports to any regulatory body, reviewed by a training company subject to ACCA approval;*
 - b. *Notify ACCA within six weeks of the identity of the training company referred to in a) above;*
 - c. *Be subject to an accelerated monitoring visit before 30 June 2016 at a cost to the firm of £1,000 and £400 for each additional audit qualified principal; and*
 - d. *Note that failure by that time to make necessary improvements in the level of compliance with auditing standards and with the requirements of any regulators will jeopardise his continuing audit registration.*

12. Person A and the firm did not provide any of the information stipulated in parts (i) to (iv) and (v)(b) of the Committee's order. The matter was therefore referred back to the Committee.

13. On 19 September 2014, on the day of the hearing, ACCA received all the documentation that the Committee had required in the order of 19 June 2014. The Committee therefore considered it appropriate to extend time limits for the service of the documentation in the order of 19 June 2014, to 19 September 2014.
14. At its meeting on 19 September 2014, the Committee made an Order pursuant to Authorisation Regulation 5(2) that:
- (i) *The time limits for compliance set out in the order of 19 June 2014 be extended until 19 September 2014.*
 - (ii) *Person A be required to:*
 - a. *Have all future audit work on four clients selected by Governance - Practice Monitoring, and all other work in respect of reports to any regulatory body, reviewed by a training company subject to ACCA approval;*
 - b. *Be subject to an accelerated monitoring visit before 30 June 2016 at a cost to the firm of £1,000 and £400 for each additional audit qualified principal; and*
 - c. *Note that failure by that time to make necessary improvements in the level of compliance with auditing standards and with the requirements of any regulators will jeopardise his continuing audit registration.*
15. The firm's third monitoring visit, as ordered by the Committee at the hearing on 19 June 2014, took place on 5 and 6 July 2016. The outcome of that visit was satisfactory, and the firm was released from all conditions.

The Fourth Visit

16. The matter comes before this Committee as a result of a fourth visit on 22 and 23 January 2019, where the Compliance Officer found that the firm's audit procedures had deteriorated. The firm had failed to implement the remedial action plan it had committed to, in response to the findings of the previous monitoring, and its procedures were not adequate to ensure that it conducts all audits in accordance with the International Standards on Auditing (UK & Ireland) (ISAs).
17. 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. In some sections on the audit files, the working papers comprised accounting schedules with no record of audit work. As a result, on all the files examined, the audit opinion was not adequately supported by the work performed and recorded.
18. Person A was not available at the visit, and the deficiencies highlighted in the appendix were discussed with Person B at the end of the visit. Person A confirmed, in an email on 31 January 2019, that he had been informed by Person B of the number of deficiencies and he would address them. There has been no substantive response to the Compliance Officer's report by Person A.

DECISION AND REASONS

19. The Committee was satisfied that Person A and the firm have breached Global Practising Regulations 13(1), in that they failed to comply with the International Standards on Auditing (Ireland) in the conduct of audit work. There were deficiencies in the planning, control and recording of audit work, and in all three cases examined, the audit opinions were not adequately supported by the work performed and recorded. The Committee noted the history of the matter, and that three out of four reviews have recorded unsatisfactory outcomes. The Committee has had regard to the Guidance for Regulatory Orders in respect of unsatisfactory visits.

20. The Committee was therefore satisfied, on the balance of probabilities, that the breaches in terms of audit work were made out, and that such breaches were material when set against the background of previous unsatisfactory visits and the latest report.
21. The Committee noted that Person A had voluntarily relinquished his practising certificate with audit qualification and his firm's auditing certificate, prior to the hearing.
22. The Committee had regard to the Guidance for Regulatory Orders and made the following order, pursuant to Authorisation Regulations 5(2)(f) and 6(16), that any future re-application for audit registration by Person A, 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 he has, following the date of this order, attended a practical audit course approved by ACCA, and passed paper P7 (or the equivalent level audit paper) of ACCA's professional qualification.
23. No order was made in respect of Person B.
24. The Committee directed that the above order take immediate effect pursuant to AR 9(2), it being in the interests of the public that such order be immediate.

PUBLICITY

25. The Committee concluded that the interests of Person A outweighed any wider public interest in him being identified. In the circumstances, the Committee made a direction that the identity of Person A, his firm and former partner and clients should not be identifiable to the public.

Mr John Wilson
Chairman
3 September 2019