

HEARING

ADMISSIONS AND LICENSING COMMITTEE OF THE ASSOCIATION OF CHARTERED CERTIFIED ACCOUNTANTS

REASONS FOR DECISION

In the matter of: Mr Vincent Boon Lee Chia

Heard on: Thursday, 23 April 2020

Location: ACCA, The Adelphi, 1-11 John Adam Street, London,
WC2N 6AU (Remotely by Skype / telephone link)

Committee: Ms Wendy Yeadon (Chair)
Mr Constantinos Lemonides (Accountant)
Ms Sue Heads (Lay)

Legal Adviser: Miss Juliet Gibbon (Legal Adviser)

Persons present

and capacity: Ms Georgia Luscombe (ACCA Case Presenter)
Mr Vincent Boon Lee Chia (Member)
Ms Nkechi Onwuachi (Hearings Officer) assisted by Miss
Rachael Davies (Hearings Officer)

Summary: 1. Mr Chia's practising certificate with audit qualification and the firm's auditing certificate withdrawn and Mr Chia to be issued with a Practising Certificate.

2. Any future re-application for audit registration by Mr Chia or by a firm in which he is a principal, must be

ACCA



+44 (0)20 7059 5000



info@accaglobal.com



www.accaglobal.com



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

referred to the Admission & Licensing Committee which will not consider the application until Mr Chia has provided an action plan to ACCA and attended a practical audit course / passed the P7 examination or equivalent.

PRELIMINARY

1. The Admissions and Licensing Committee (“the Committee”) convened on 2 and 23 April 2020 to consider an application by ACCA regarding the audit registration of Mr Vincent Boon Lee Chia FCCA and the firm Vincent Chia & Company (“the firm”).
2. The Committee had before it a bundle of papers, numbered pages 1-15; five additional bundles, numbered pages 1-7, 1-2, 1-4, 1-3 and 1-8, together with a service bundle, numbered pages 1-13.
3. Ms Georgia Luscombe represented ACCA. Mr Chia attended the hearing but was not represented.

BRIEF BACKGROUND

4. Mr Chia became a member of ACCA on 17 July 1986, and a fellow on 17 July 1991. He is a partner in the firm, together with one other person. The firm is regulated for audit purposes. Mr Chia holds an audit qualification and is responsible for the audits of the firm, and for issuing audit reports on the firm’s behalf. The other partner in the firm does not hold an audit qualification.
5. ACCA carried out a monitoring visit to the firm on 22 November 2019. This was the sixth monitoring visit to the firm and was to follow up a visit that took place on 23 November 2017, when the outcome in relation to the conduct of audit work had been unsatisfactory. The visit was also to confirm the firm’s eligibility for registered auditor status and monitoring compliance with The Chartered Certified Accountants’ Global Practising Regulations 2003.

6. The firm has one limited company audit client. In summary, ACCA's case is that an inspection of the audit file revealed significant deficiencies. The Compliance Officer found that the firm had made little effective improvement to its procedures since the previous visit two years before. There were significant deficiencies in the audit evidence obtained, particularly in the significant risk and material audit areas of valuation of properties and continuing ownership, and valuation of unlisted investments (including contemporary art and paintings). As a result of the deficiencies, the audit opinion that had been issued by the firm on its only audit file, was not properly supported by the work performed and recorded.

HISTORY OF MONITORING VISITS

7. The outcomes of the first and second monitoring visits, carried out in March 1998 and June 2003, were satisfactory.
8. At the third monitoring visit on 5 August 2009, the Compliance Officer identified serious deficiencies in the firm's audit work, which had resulted in the audit opinion not being adequately supported by the work performed and recorded on the firm's only audit client. A report was sent to the firm on 14 September 2009. The firm set out the action that it intended to take in order to rectify the deficiencies in a letter to ACCA, dated 2 February 2010.
9. The fourth monitoring visit took place on 3 September 2013. The Compliance Officer found that the firm had improved its quality control policies and procedures to ensure that it conducted all audits in accordance with the International Standards on Auditing (UK and Ireland) ("the ISA's"). An inspection of the firm's only audit client showed that the firm's audit work appeared to be of a reasonable standard, and the firm's procedures were appropriate to its circumstances and the nature and size of the audit client. However, the deficiencies that were identified were included in a report sent to the firm on 30 September 2013. An action plan was provided by the firm on

30 October 2013, detailing the remedial action that it would be taking, including a “hot review”.

10. At the fifth monitoring visit on 23 November 2017, the Compliance Officer found that the firm had failed to maintain the standard of its audit work since the visit on 3 September 2013. The Compliance Officer found serious deficiencies in the audit work, which had resulted in the audit opinion not being adequately supported by the work performed and recorded. The report of the visit was sent to the firm on 30 November 2017. It set out the deficiencies on the firm’s only audit client, which was the same audit client as at the previous two visits. The firm provided a detailed action plan describing the remedial action that the firm was taking to address the deficiencies, including the underlying root causes, to ensure they did not recur in the future. This, again, included the use of an external “hot review”. The Compliance Officer informed the firm that the action plan was generally acceptable but warned it that failure to implement the remedial action proposed, and failure to improve its procedures before the next monitoring visit, would jeopardise the firm’s continuing audit registration.

SUMMARY OF FINDINGS

11. At the sixth visit on 22 November 2019, the Compliance Officer found that the firm had made little effective improvement to its procedures since the previous visit two years before. There were significant deficiencies in the audit evidence obtained, particularly in the significant risk and material audit areas of valuation of properties, and continuing ownership and valuation of unlisted investments (including contemporary art and paintings). As a result of the deficiencies the audit opinion that had been issued by the firm on its only audit file was not properly supported by the work performed and recorded.
12. Further, the firm had failed to effectively implement the action plan it had committed to following the previous visit, including having a “hot review”. This

had resulted in a recurrence of some of the significant deficiencies identified at the previous visit.

13. On 11 March 2020, Mr Chia sent an email to ACCA attaching a copy of a letter that he had sent to ACCA on 6 February 2020, in response to ACCA's report. He enclosed a document setting out the firm's response to ACCA's appendix of detailed findings contained in the report. Mr Chia had also attached written representations to the Committee.
14. On 2 April 2020, when this case was first listed for hearing, the Committee was advised by Ms Luscombe that ACCA had not responded to the firm's response to the detailed findings made that had been sent to ACCA by Mr Chia in his letter, dated 6 February 2020. Ms Luscombe was unable to advise the Committee as to why there had been no response by ACCA since that date, albeit she said that ACCA said that it had not received Mr Chia's response until 11 March 2020 and the Compliance Officer, who had carried out the monitoring visit, had now left the team.
15. Ms Luscombe informed the Committee that ACCA's Head of Compliance had sent a brief response in a letter emailed to Mr Chia that day. She suggested, however, that it may assist the Committee if ACCA were to provide a considered response to Mr Chia's response to the detailed findings made by the Compliance Officer. She, therefore, made an application to adjourn the hearing.
16. Mr Chia was content for the hearing to be adjourned. He accepted that there were deficiencies in the audit but disputed some of the findings. He informed the Committee that he would need time to consider the audit file in order to respond to the letter sent to him by the Head of Compliance.
17. The Committee took into consideration the submissions made by Ms Luscombe and Mr Chia in relation to an adjournment and accepted the advice

of the Legal Adviser. It determined that it would be fair to both ACCA and Mr Chia to adjourn the hearing.

18. The Committee directed ACCA to provide a considered response to the matters raised by Mr Chia, in relation to the disputed findings, by 9 April 2020. It also directed Mr Chia to provide a written response to the Committee, together with any documentary evidence that supported his case, by 16 April 2020. The hearing was adjourned part-heard to 23 April 2020.
19. The Committee noted that the Compliance Officer had sent a letter to Mr Chia on 7 April 2020, setting out ACCA's position in response to his letter of 6 February 2020. The Compliance Officer concluded that Mr Chia's responses showed a lack of insight regarding what constitutes adequate audit evidence to support the audit opinion, as required by the ISA's. He was of the view that Mr Chia's responses did not offer any effective rebuttal of the deficiencies raised in his report. ACCA's recommendation to the Committee, therefore, had not altered.
20. The Committee also noted Mr Chia's response by way of letter, dated 21 April 2020. Mr Chia provided individual responses to those of the Compliance Officer, and concluded by stating:

"We appreciate your comments on the deficiency on the file, however, few points were discussed during our conclusion meeting on the day of the visit and other points have been addressed above. Our files have improved substantially since last two visits and I assure you it will keep improving" [sic].

SUBMISSIONS BY ACCA

21. Ms Luscombe submitted that the Committee could be satisfied that Mr Chia and the firm had breached Regulation 13(1) of the GPRs (Annex 1, Appendix 1) in the conduct of audit work. She submitted that there had been a number of breaches of the ISA's, and the deficiencies identified by the Compliance

Officer were serious, wide-ranging and, despite the first two visits having satisfactory outcomes, the deficiencies in the firm's audit work had been on-going over a protracted period of time.

22. The Committee was invited to take the following into consideration:

- a. The firm and its principal have had six monitoring visits;
- b. The first two visits had satisfactory outcomes;
- c. Three of the last four visits had unsatisfactory outcomes, and all these were based on the inspection of the same audit file;
- d. Whilst there had been some improvement to the standard of the audit work at the fourth visit, this was not maintained;
- e. The firm had failed to effectively implement the remedial actions it had committed to following the previous two unsatisfactory visits;
- f. The firm had failed to achieve a satisfactory outcome at the sixth visit despite the advice and warning given by the Compliance Officer following previous visits.

23. Ms Luscombe submitted that ACCA's recommendation to the Committee was as set out in the report, to consider withdrawing the firm's auditing certificate and Mr Chia's audit qualification with immediate effect, and to re-issue him with a practising certificate.

The Committee was reminded that Regulation 5(2)(f) of the Regulations provides that the Committee "*may withdraw, suspend or impose conditions upon a certificate*

... if 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 codes of practice to which he or they are subject ... in the carrying on of the activities to which the certificate relates or authorises ...”.

WRITTEN REPRESENTATIONS MADE BY MR CHIA

24. On 11 March 2020, Mr Chia sent an email to ACCA attaching a copy of a letter that he had sent to ACCA on 6 February 2020, in response to ACCA's report that had been sent to him on 17 January 2020. He enclosed a document setting out the firm's responses to ACCA's appendix of detailed findings that is contained in the report. Mr Chia also attached written representations to the Committee.

25. Mr Chia made the following written representations:

- a. He had provided a response to the Compliance Officer;
- b. He had acknowledged there were 'a few deficiencies in the audit files and that he would rectify these in future audits;
- c. The deficiencies were due to his absence from London for a period of two months each year for the past three years to care for an elderly relative who lives abroad, and that he had placed reliance on staff and a freelancer due to the pressure of work;
- d. He recognised that the current audit client was too large given his firm's limited resources and he had advised the client to appoint a new auditor for the accounts for the year ending June 2020;
- e. He was reorganising his practice to suit his age and personal commitments abroad;

- f. He wished to concentrate on smaller audit clients (without foreign subsidiary);
- g. He would like to keep the firm's audit registration and intends to rectify all the identified deficiencies whilst he explores the firm's future with smaller audit clients and a few non-audit clients.

EVIDENCE

26. Mr Chia also gave evidence and was asked questions by the Committee. He informed the Committee that he had set out his representations in relation to ownership and valuation of property in his letter to ACCA, dated 21 April 2020. He informed the Committee that he had been auditing the same audit client for 13 or 14 years. Mr Chia said that the firm was fairly confident that the valuation of the artwork was accurate and there was no dispute in relation to ownership. He also said that the firm did annual checks with the Land Registry. Mr Chia said that he had visited the foreign subsidiary of the audit client and had read the working papers but had been unable to take copies. He told the Committee that 'it's a different world out there'.
27. Mr Chia accepted that there were deficiencies in the firm's audit work of the only audit client that dated back to 2009. He said that the firm had updated everything and had put in a hot review. He said that he didn't understand why ACCA continued to bring these historic issues up all the time.
28. Mr Chia accepted that the audit file was not 100% perfect. He explained that he had to spend time in Singapore caring for an elderly relative although he accepted that this was not a valid excuse for poor audit work. In response to a question from Ms Luscombe, Mr Chia said, 'there are some small areas that we have to improve'.

DECISION AND REASONS

29. The Committee took into consideration the submissions made by Ms Luscombe, and the written representations made by Mr Chia in his correspondence. It accepted the advice of the Legal Adviser who referred it to paragraphs 6.2.4, 6.2.5 and 7.2 of the Guidance for Regulatory Orders (May 2018) (“the GRO”), which sets out the approach Committees should take in relation to visits with unsatisfactory outcomes.
30. The Committee noted that Mr Chia disputed some of the findings of the Compliance Officer during the monitoring visit on 22 November 2019, as set out in his report, but he had not provided any documentary evidence to support his assertions.
31. The Committee was satisfied, on the basis of the documentary evidence before it, that there had been serious and wide ranging deficiencies in the planning, control and recording of audit work on the audit file examined by the Compliance Officer, and that the audit opinion had not been adequately supported by the work performed and recorded.
32. The Committee took note of Paragraph 2.3.2 of the GRO, and acknowledged that its function was to take appropriate action for the future to ensure that proper standards of conduct are maintained, and it was not its function to discipline Mr Chia, or the firm, for any past wrongdoing of which he, or it, may be culpable. The Committee also had regard to Paragraph 6.3.3 of the GRO, which gives guidance on ‘one or more previous unsatisfactory visits but no previous regulatory order or decision’.
33. In reaching its decision on what, if any, order was appropriate to impose, the Committee weighed the interests of Mr Chia, and the firm, against the need to protect the public, maintain public confidence in the profession and maintain proper standards of conduct.

34. Mr Chia was the only partner in the firm with an audit qualification, and he was, therefore, responsible for the deficiencies identified by ACCA during the monitoring visits. Mr Chia was required to meet the high standards expected of those holding audit registration in order to protect the public and maintain public confidence in the profession.
35. The Committee noted the contents of Mr Chia's letter of 6 February 2020. It considered that Mr Chia lacked insight into the extent of the deficiencies identified by the Compliance Officer during the monitoring visit. It acknowledged, however, that he now appeared to recognise that the firm should not be carrying out audit work for its existing audit client.
36. The Committee also noted that Mr Chia had previously stated that he 'will rectify all deficiencies', but he had not provided ACCA or the Committee with an action plan and had not addressed the root cause for the deficiencies found on the audit file. Further, despite being given the opportunity to provide documentary evidence to the Committee to support his case when the matter was adjourned on 2 April 2020, Mr Chia had chosen not to do so.
37. Mr Chia had not provided sufficient information to reassure the Committee that there would be no repetition of the deficiencies identified by the Compliance Officer during the monitoring visits, even if he were to only undertake smaller audits. The Committee, therefore, had to conclude that there would be a real risk of repetition in the future, should Mr Chia and the firm continue to carry out audit work.
38. The Committee did not consider that the imposition of any condition on the audit certificates would be sufficient to protect against the risk to the public if Mr Chia, and the firm, were to continue to carry out audit work.
39. The Committee determined that withdrawal of Mr Chia's audit qualification, and the firm's auditing certificate, was appropriate in this case. It bore in mind

the principle of proportionality but determined that any lesser order would not protect the public, maintain public confidence in the profession, or maintain proper standards of conduct.

40. The Committee considered the reputational impact that the removal of Mr Chia's audit qualification and the firm's auditing certificate may cause him, but it was satisfied that the need to protect the public, and the wider public interest, outweighed Mr Chia's own interests.

41. Accordingly, the Committee determined to make an order pursuant to AR 5(2)(f) withdrawing Mr Chia's practising certificate with audit qualification and the firm's auditing certificate, and to issue Mr Chia with a practising certificate.

42. The Committee also considered that any future re-application for audit registration by Mr Chia, or by a firm in which he is the principal, should be referred to the Admissions and Licensing Committee, which will not consider the application until Mr Chia has provided an action plan which ACCA regards as satisfactory, setting out how he intends to prevent a recurrence of the previous deficiencies, and has attended a practical audit course and passed paper P7, Advanced Audit and Assurance (or the equivalent advanced level audit paper) of ACCA's professional examinations.

ORDER

43. The Committee made the following order pursuant to Regulations and 5(2)(f) and 6(16)(ii) of The Chartered Certified Accountants' Authorisation Regulations 2014, as amended, that:

- i. Mr Vincent Boon Lee Chia's practising certificate with audit qualification and Vincent Chia and Co's auditing certificate be withdrawn, and Mr Chia be issued with a practising certificate;

- ii. Any future re-application for audit registration by Mr Vincent Boon Lee Chia, or by a firm in which he is principal, must be referred to the Admissions and Licensing Committee, which will not consider the application until he has provided an action plan which ACCA regards as satisfactory, setting out how he intends to prevent a recurrence of the previous deficiencies, and attended a practical audit course, and passed paper P7, Advanced Audit and Assurance (or the equivalent advanced level audit paper), of ACCA's professional examinations.

EFFECTIVE DATE OF ORDER

44. The Committee determined that the order should take effect from the date of the expiry of the appeal period referred to in the Appeal Regulations.

Wendy Yeadon
Chair
23 April 2020