

APPLICATION ON PAPERS

CONSENT ORDERS CHAIR OF THE ASSOCIATION OF CHARTERED CERTIFIED ACCOUNTANTS

REASONS FOR DECISION

In the matter of:	Mr Christopher Bailey
Heard on:	Wednesday, 12 February 2020
Location:	ACCA, The Adelphi, 1-11 John Adam Street, London WC2N 6AU
Chair:	Mrs Helen Carter-Shaw
Legal Adviser:	Miss Juliet Gibbon
Outcome:	The Firm, Christopher Bailey, is severely reprimanded and is ordered to pay ACCA costs in the sum of £960.00

PRELIMINARY

1. A Consent Order is made on the order of the Chair under the relevant regulations.
2. This matter has been referred to the Consent Orders Committee of ACCA ('the Committee'), pursuant to Regulation 8(8) of the Complaints and Disciplinary Regulations ("the Regulations") for the Chair to determine, on the basis of the evidence before them, whether to approve or reject the draft Consent Order.

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3. The Chair had before them a bundle of documents, numbered pages 1-46, including the signed Consent Order draft agreement, an additional bundle, numbered pages 1-3 and a service bundle, numbered pages 1-6.
4. The Chair considered the draft Consent Order in the absence of the parties and without a hearing, in accordance with Regulation 8(8) of the Regulations. They were satisfied that Mr Bailey had been given proper notice that the proposed Consent Order would be considered today.

CONSENT ORDER: DRAFT AGREEMENT

5. The proposed Consent Order was signed by Mr Bailey and by a representative of ACCA on 17 December 2019. It reads as follows:

“The Association of Chartered Certified Accountants (ACCA) and Christopher Bailey (“the parties”) agree as follows:

1. *Christopher Bailey admits the following allegations:*
 - (a) *From in or about 2012 to in or about 26 June 2019, the firm Christopher Bailey failed to send engagement letters to all of its clients before or as soon as practicable after the engagements commenced, contrary to paragraph 5 of Section B9 of ACCA’s Code of Ethics and Conduct (as applicable 2012 to 2019)*
 - (b) *In advance of an ACCA monitoring visit on 25 June 2019, Christopher Bailey failed to disclose two audit clients to an ACCA Senior Compliance Officer, contrary to Global Practising Regulation 14(2) (as applicable in 2019)*
 - (c) *By reason of its conduct in respect of the matters set out at 1(a) and 1(b), Christopher Bailey is guilty of misconduct pursuant to byelaw 8(a)(i).*

2. *That Christopher Bailey shall be severely reprimanded and shall pay costs to ACCA in the sum of £960”.*

BACKGROUND AND FACTS

6. Christopher Bailey (“the firm”) holds an ACCA firm’s auditing certificate (“FAC”) and, as such, is a relevant firm that has undertaken to be bound by ACCA’s byelaws and regulations. The firm is the sole practice of ICAEW member Mr Christopher Neil Bailey FCA (“Mr Bailey”).
7. On 15 February 2019, ACCA sent Mr Bailey a booking confirmation email regarding an ACCA monitoring visit, which included a request to provide a list of all audit clients signed for and on behalf of the firm within the previous two years. Mr Bailey was requested to provide the list of audit clients no later than two weeks before the visit, which was scheduled for 15 and 16 May 2019.
8. As at 07 May 2019, Mr Bailey had not provided a list of the audit clients and he was therefore contacted by a Senior Compliance Officer (“the SCO”). Mr Bailey requested a postponement of the visit, and the SCO agreed to postpone it until 25 and 26 June 2019.
9. On 16 May 2019, Mr Bailey provided ACCA with a list of eight audit clients but did not provide any details of the relevant year ends, turnovers, net assets, audit fees or the dates of the audits.
10. On 24 June 2019, the SCO became aware that the firm had signed an additional three audits within the last two years in addition to those referred to in Mr Bailey’s list. The additional three audit clients were:
 - i. Client 1 (year ended 31 March 2018, audit report signed 21 December 2018);
 - ii. Client 2 (year ended 31 March 2018, date audit report signed not stated as abridged accounts filed); and
 - iii. Client 3 (year ended 31 December 2017, audit report signed 5 September 2018).
11. On 24 June 2019, the SCO emailed Mr Bailey informing him that they would be selecting files for review on the first day of the visit and requesting details of turnover, net assets, fees and the date the latest accounts were signed off as stated in the original booking

email. Mr Bailey confirmed his agreement by email and said that audit client, Client 3, had been omitted from his list due to a “software issue”

12. On 25 June 2019, the SCO asked Mr Bailey to explain why Client 1 and Client 2 had not been included in Mr Bailey’s list of audit clients. Mr Bailey responded by saying that he believed that they were audit exempt.
13. The SCO requested Mr Bailey to provide the audit files for Client 1 and Client 2. Mr Bailey said the files were offsite and would need to be couriered back to the firm’s offices.
14. On 26 June 2019, Mr Bailey informed the SCO that Client 1 had been omitted from the list he had provided on 16 May 2019 due to a software issue, as it was now audit exempt, and he had incorrectly assumed it had always been audit exempt. In relation to Client 2, it became apparent that an audited set of abridged accounts, for the year ended 31 March 2018, had been filed in error at Companies House, possibly due to a failure of review procedures. Mr Bailey informed the SCO that he would be adjusting his firm’s internal procedures to prevent such errors from recurring.
15. The SCO also ascertained that the firm had not issued engagement letters to all its clients notwithstanding that its failure to issue engagement letters to clients had been noted on previous monitoring visits in July 2012 and November 2016.
16. ACCA accepted that Mr Bailey had not deliberately failed to disclose that Client 1 and Client 2 were audit clients of the firm.
17. ACCA submits that in light of the above, and by Mr Bailey’s own admission, the firm is guilty of misconduct and liable to disciplinary action pursuant to byelaw 8(a)(i), by virtue of it being in breach of paragraph 5 of Section B9 of ACCA’s Code of Ethics and Conduct (as applicable in 2012 to 2019) and acting contrary to paragraph 14(2) of the Global Practising Regulations (as applicable in 2019).
18. ACCA referred the Committee to the aggravating and mitigating factors in the case. It submitted that the appropriate sanction for the firm Christopher Bailey is a severe reprimand, which proportionately reflected the firm’s conduct and the public policy considerations which ACCA must consider in deciding on the appropriate sanction.
19. Mr Bailey, on behalf of the firm, had admitted the allegations made against him and misconduct and had accepted that the sanction of severe reprimand was the appropriate and proportionate sanction for the firm. The firm had agreed to pay ACCA’s costs in the

sum of £960.00.

DECISION AND REASONS

20. Under Regulation 8(8) of the Complaints and Disciplinary Regulations 2014, as amended, (“the Regulations”) the Chair has to determine whether, on the basis of the evidence before them, it is appropriate to approve or reject the draft Consent Order.
21. The Chair noted that under Regulation 8(12), they should only reject the signed Consent Order if they are of the view that the admitted breaches would, more likely than not, result in exclusion from membership.
22. The Chair considered the seriousness of the breaches and the public interest, which includes the protection of the public, the maintenance of public confidence in the profession, and the declaring and upholding of proper standards of conduct and performance.
23. The Chair accepted the advice of the Legal Adviser and paid due regard to ACCA’s Guidance for Disciplinary Sanctions.
24. The Chair considered the aggravating and mitigating factors of the case. They considered the following to be the aggravating features:
 - a. There had been a serious departure from the standard expected of a professional accountancy firm, which brought discredit to ACCA and the accountancy profession;
 - b. The firm had failed to send engagement letters to a number of clients, despite warnings from ACCA in 2012 and 2016;
 - c. The firm had failed to provide an accurate and complete list of audit clients ahead of the monitoring visit, leading to further enquiries having to be made by the SCO and impacting on the efficiency of the process.
25. The Chair also took into consideration the following mitigating factors:
 - a. The firm had demonstrated insight and admitted the allegations;
 - b. The firm had been regulated by ACCA since 2005 and had no previous disciplinary findings against it;

- c. The firm had not deliberately concealed the missing audit clients and accepted that its conduct was inadvertent;
 - d. The firm had taken remedial steps in respect of the breach of paragraph 5 of Section B9 of ACCA's Code of Ethics and Conduct, in that it had invested in a software package which will enable its clients to log into a personalised portal and access an engagement letter and the firms' terms of business.
26. The Chair determined that to take no further action would not be appropriate or proportionate.
27. The Chair did not consider an admonishment or a reprimand were appropriate and proportionate sanctions, as the misconduct in this case was serious.
28. The Chair noted that as Christopher Bailey was a firm that by virtue of Regulation 13(2) of the Regulations, the sanction of exclusion was not available to them. Accordingly, they were satisfied that the admitted breaches would not result in exclusion from membership, and there was no basis for them to reject the proposed Consent Order under Regulation 8(12).
29. The Chair noted the proposed Consent Order, and on the basis of all the information before them, they were satisfied that it was an appropriate and proportionate sanction in this case and that they should make the order that had been consented to by both parties.
30. By virtue of Regulation 8(14) of the Regulations, as the signed draft Consent Order has been approved by the Chair, it constitutes a formal finding and order.
31. The findings and orders set out in the Consent Order shall be published, naming the firm, as soon as practicable and in such manner as the Association thinks fit.

ORDER

32. The Chair, pursuant to their powers under Regulation 8, made an order in the terms of the draft Consent Order, namely that the firm Christopher Bailey is severely reprimanded and shall pay ACCA's costs in the sum of £960.00.

Ms Helen Carter-Shaw
Chair
12 February 2020