

HEARING
ADMISSIONS AND LICENSING COMMITTEE OF THE
ASSOCIATION OF CHARTERED CERTIFIED ACCOUNTANTS
REASONS FOR DECISION

In the matter of: Mr Faqir Hussain

Heard on: Tuesday, 05 May 2020

Location: Remote link to ACCA, The Adelphi, 1-11 John Adam Street, London WC2N 6AU

Committee: Mr Andrew Gell (Chair)
Mrs Susan Gallone (Accountant)
Mrs Samantha Lipkowska (Lay)

Legal Adviser: Mr David Marshall

Persons present

and capacity: Mr George Wills (Counsel on behalf of ACCA)
Miss Geraldine Murray (Hearings Officer)

Observers: None

Summary: Audit Qualifications to be withdrawn with immediate effect

Any re-application to be referred to the Admissions and Licensing Committee

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1. The Committee met to consider the eligibility for audit qualifications of Mr Hussain and his firm following an unsatisfactory audit monitoring visit. Mr Wills appeared for ACCA. Mr Hussain was not present and not represented. The hearing was conducted by videoconference due to the current Coronavirus pandemic.

PROCEEDING IN ABSENCE

2. The Committee was satisfied that Mr Hussain had been served with the documents required by The Chartered Certified Accountants' Authorisation Regulations 2014 ('the Regulations'), Regulation 6(1) in accordance with Regulation 11. The notice of hearing was sent by email on 06 April 2020 and the Committee saw confirmation of delivery of the email. Mr Hussain was provided with a link to download the relevant documents.
3. With regard to exercising its discretion, the Committee saw a number of communications from Mr Hussain showing that he was aware of the proceedings against him and did not want to take part in a hearing. He submitted a detailed response and written submissions for this Committee. In particular, in an email dated 29 April 2020 he said '*I [am] not willing to attend the Hearing of the Admissions and Licencing Committee scheduled for Tuesday, 05 May 2020 and [am] happy for the Hearing to proceed in my absence.*'
4. The Committee was satisfied that Mr Hussain had voluntarily absented himself and that no purpose would be served by an adjournment. The Committee was satisfied that it was in the public interest to proceed and that no unfairness would be caused to Mr Hussain. The Committee determined to proceed in Mr Hussain's absence, taking account of his written representations.

APPLICATION(S)/BRIEF BACKGROUND

5. Mr Hussain is a Fellow of ACCA and has been a member since 1993. He

currently practises through a sole practice firm called FH & Co. Mr Hussain has held a practising certificate with audit qualification for many years and his firm holds an auditing certificate.

6. On 18 April and 04 May 2011, ACCA undertook an audit monitoring visit to Mr Hussain's then practice which was Clarity Audit Ltd. According to ACCA, the outcome of that visit was unsatisfactory. Mr Hussain took issue with that description.
7. A second visit took place on 14 November 2013. At some points in the documents ACCA described the outcome of that visit as unsatisfactory also, but ACCA's position at the hearing was that Mr Hussain had no company audit clients at the time of that visit so no audit files were inspected. Mr Hussain described the outcome of the second visit as 'satisfactory in all respects' and set out what he said was an extract from the report by the Compliance Officer to that effect.
8. The third visit, which has given rise to this hearing, took place on 11 and 12 November 2019. It is common ground that the outcome of that visit was unsatisfactory.
9. Following the third visit, ACCA alleged that Mr Hussain and his firm were in breach of Practising Regulation 13(1) in that they failed to comply with the International Standards on Auditing (UK) in the conduct of audit work. ACCA recommended that the Committee withdraw the firm's auditing certificate, and Mr Hussain's audit qualification, with immediate effect and place appropriate conditions on any future re-application for audit registration.

DECISION ON APPLICATION(S) AND REASONS

10. The Committee first considered the status of the earlier monitoring visits. While Mr Hussain accepted that the first visit was categorised by ACCA as unsatisfactory, he said that this was primarily because the Compliance Officer at the time felt that a third party was in a position to exercise influence over the audits. He said that in response to this, he had offered to resign as auditor to

the companies in question, and that he did so. ACCA's response to this was set out in a letter dated 31 March 2020. ACCA stated that *'the Compliance Officer ... informed you of serious deficiencies in the audit work performed and recorded which resulted in the overall outcome of the visit being "Unsatisfactory".'* The Committee saw no further evidence or information about the first visit, but it noted that Mr Hussain had not challenged what was said in the 21 March 2020 letter. The Committee had no reason to doubt that ACCA was correct in saying that the outcome of the first visit had been unsatisfactory on the basis of the poor quality of the audit work performed.

11. With regards to the second visit, Mr Hussain indicated that the Compliance Officer had inspected the work he did in compiling reports for the Solicitors' Regulatory Authority ('SRA'). Mr Hussain said that the Compliance Officer had stated in his report that it was of a good standard. Mr Hussain set out what appeared to be a direct quotation from the Compliance Officer's report at the time to this effect. ACCA had not disputed the accuracy of the quotation. However, the Committee had no direct evidence of what occurred at the second visit. The Committee took the view that this hearing was concerned with audit work as normally understood, namely statutory audits of organisations such as limited companies and charities. No such work had been inspected at the second visit and the Committee considered that the second visit was of limited relevance.
12. The main issue for this hearing was the quality of audit work inspected at the visit in November 2019, bearing in mind that the outcome of the previous such inspection in 2011 was unsatisfactory.
13. Three audit files were examined in November 2019 and all three were found to be unsatisfactory. There were said to be serious deficiencies in the audit work which resulted in the audit opinions not being adequately supported by the work performed and recorded.
14. The Committee considered the appendix setting out ACCA's findings in detail and Mr Hussain's point-by-point response. The Committee noted that Mr Hussain did not dispute the overall conclusion that his work was unsatisfactory.

He admitted some of the adverse findings. Those that he did not admit he tended to minimise rather than refute. The Committee accepted ACCA's evidence and concluded that there were serious and widespread deficiencies in the quality of the audit work performed by Mr Hussain and his firm. It regarded Mr Hussain's responses to matters such as the need to review valuations and the going concern test each year as casual. They indicated a failure to appreciate the importance of adhering to standards and the extent to which he had failed to do so.

15. The Committee was satisfied, on the balance of probabilities, that Mr Hussain and his firm had committed material breaches of the Global Practising Regulations in that there were failures to comply with the International Standards on Auditing (UK and Ireland) as set out in the report.

ORDER(S) AND REASONS

16. In considering what order, if any, to make, the Committee proceeded on the basis that the previous audit monitoring visit in 2011 had also had an unsatisfactory outcome. Mr Hussain had failed to improve despite the advice given on the previous occasion. The Committee was concerned that Mr Hussain appeared to have disregarded the previous adverse findings about his audit work and had persuaded himself that the only issue in 2011 was to do with improper influence. The Committee was satisfied that it was necessary to make an order for the protection of the public and to uphold proper standards.
17. The Committee first considered imposing conditions. Mr Hussain had made a 'proposal' to the Committee in a letter dated 10 March 2020 (one of three letters of that date). In this letter, he accepted that he had fallen short of the required standard in relation to audit work and apologised. He proposed to resign as auditor for the only two companies who were still his audit clients. However, he said that he had 24 solicitor clients on whom he reported to the SRA. That work required him to have an audit qualification and he submitted that he should be allowed to retain his audit qualification on condition that he confined his work to SRA work. It was in this context that he claimed that his SRA work had previously been inspected by ACCA and found acceptable.

18. ACCA's position was that *'it would not be appropriate for a firm to retain audit registration on the grounds that it does not conduct audit work'*.
19. The Committee's view was that in order to hold audit qualifications a member or firm should be competent to carry out company audit work. The Committee recognised that the SRA required its reports to be prepared by persons who held auditing qualifications. That was, no doubt, because the SRA had confidence that a person who was authorised to conduct statutory audits would have the necessary skills to perform the work the SRA required. There was no separate category of 'SRA report' qualification. The SRA would no doubt be concerned to learn that a person who was not regarded as competent to carry out statutory company audits had nevertheless been authorised by ACCA to carry out SRA work.
20. The Committee, therefore, rejected Mr Hussain's proposed condition. It did not consider that there were any other conditions which would adequately protect the public.
21. The Committee next considered whether to suspend the auditing qualifications of Mr Hussain and his firm. While this would protect the public so long as the suspension continued, it was not an appropriate order to make in this case. Suspension should have some clearly defined end point. In this case, the Committee concluded that Mr Hussain was currently not competent to carry out company audits. Mr Hussain might be able to improve his auditing standards so as to justify the re-issue of audit qualifications in the future. However, the Committee was unable to identify any specific test that could be applied to an order for suspension.
22. The Committee, therefore, concluded that the minimum order it could make would be withdrawal of the auditing qualifications. It recognised that this would probably have a severe impact on Mr Hussain in that he would not be able to continue to perform SRA work. Nevertheless, it was necessary because, at present, he could not safely be allowed to retain his auditing qualification.

23. The Committee considered whether to impose any conditions on any re-application for audit registration. It considered that it would be necessary for any such application to be referred to the Admissions and Licensing Committee, but it would be a matter for Mr Hussain to take whatever steps were necessary to satisfy the ALC that his practice had improved sufficiently to allow another certificate to be granted.
24. Following the announcement of its decision, Mr Wills applied for an order that the decision should have immediate effect. The Committee made its substantive order primarily on the grounds of protection of the public. In those circumstances, it determined that it was in the public interest for its order to have immediate effect.
25. The Committee made an order pursuant to Authorisation Regulation 5(2)(f) that:
 - a. Mr Hussain's practising certificate with audit qualification and the firm's auditing certificate be withdrawn and he be issued with a practising certificate; and
 - b. Any future re-application for audit registration by Mr Hussain, or by a firm in which he is a principal, must be referred to the Admissions and Licensing Committee where he will have to demonstrate how he will prevent a recurrence of his deficiencies;
 - c. This order shall have immediate effect;
 - d. This decision will be publicised in the normal way.

Mr Andrew Gell
Chair
05 May 2020