

## ADMISSIONS AND LICENSING COMMITTEE OF THE ASSOCIATION OF CHARTERED CERTIFIED ACCOUNTANTS

### REASONS FOR DECISION

|                          |  |
|--------------------------|--|
| <b>In the matter of:</b> | <b>Mr Mani Chacko</b>  |
| <b>Heard on:</b>         | <b>Friday, 13 November 2020</b>  |
| <b>Location:</b>         | <b>Remotely via ACCA Offices, The Adelphi, 1-11<br/>John Adam Street, London WC2N 6AU</b>  |
| <b>Committee:</b>        | <b>Mr Andrew Gell (Chair)</b><br><b>Mr Ryan Moore (Accountant)</b><br><b>Ms Helen Kitchen (Lay)</b>  |
| <b>Legal Adviser:</b>    | <b>Mr Iain Ross</b>  |
| <b>Persons Present</b>   |  |
| <b>And Capacity:</b>     | <b>Ms Michelle Terry (ACCA Case Presenter)</b><br><b>Ms Anna Packowska (ACCA Hearings Officer)</b><br><b>Mr Mani Chacko (Member)</b><br><b>Mr Roy Joseph Medavill FCA (Mr Chacko's<br/>Representative)</b> |

1. The Admissions and Licensing Committee convened to consider the appropriate order to make following an unsatisfactory outcome of a fifth audit monitoring review in respect of Mani Chacko & Co Ltd ["the firm"], which is the incorporated sole practice of ACCA member, Mr K M Chacko ACCA.
2. The hearing was conducted remotely through Skype for Business (Audio only) so as to comply with the COVID 19 Regulations. Ms Terry appeared for ACCA. Mr Chaco was present and was represented by Mr Roy Joseph Medayil FCA. The Committee had a report numbered pages 1 to 73, additional bundles numbered pages 1-96, 1-5 and 1-16, and a service bundle numbered pages 1-22.

#### ACCA



+44 (0)20 7059 5000



info@accaglobal.com



[www.accaglobal.com](http://www.accaglobal.com)



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

## **PRELIMINARY APPLICATIONS**

### **BACKGROUND**

3. The firm's first monitoring review was carried out in March 1993, the outcome of which was satisfactory. At the second monitoring review in July 2002, the Compliance Officer informed the firm of serious deficiencies in audit work on one of the two files inspected which had resulted in the audit opinion not being adequately supported by the work performed and recorded. The third and the fourth monitoring reviews were carried out in August 2008 and October 2014 respectively. However, the firm did not have any audit appointments at these times, only regulated clients (Solicitors). These findings are therefore not relevant to the matter before the Committee.
4. The fifth audit monitoring review was carried out on 19 June 2020, with its purpose being to review the conduct of the firm's audit work. This also included confirming the firm's eligibility for registered auditor review status and monitoring compliance with the Chartered Certified Accountants' Global Practising Regulations 2003 (GPRs).
5. The Compliance Officer found that the firm had not introduced effective audit procedures. The firm was using a standard audit programme but there was almost no record of audit work other than initials and yes/no responses. Any brief conclusions recorded on the audit programme were not cross referenced to where the work was documented. The working papers largely comprised accounting schedules which contained little indication of any audit work. Any ticks against figures on accounting schedules were mostly unexplained. As a result, on the file examined the audit opinion was not adequately supported by the work performed and recorded.

### **DECISION ON FACTS / ALLEGATION AND REASONS**

6. The Committee heard submissions from Ms Terry on behalf of ACCA. Ms Terry referred to AR 5 (2) (f) and submitted that Mr Chacko and his firm were guilty of material breaches of the Audit Regulations. She invited the Committee to

make an order withdrawing Mr Chacko's and the firm's audit certificate and to require Mr Chacko to undertake appropriate training and CPD prior to making any application for a new certificate.

7. The Committee heard oral submissions from Mr Chacko and considered his written submissions which he provided prior to the hearing. Mr Chacko accepted that the monitoring visit in June 2020 produced an unsatisfactory result. He accepted both in his responses to ACCA and in his oral evidence that he had failed to comply with the requirements of an audit by not properly recording work undertaken or justifications for his approval.
8. Mr Chacko submitted that in 2008 and 2014, there had been two satisfactory monitoring visits concerning "regulated work" for solicitor's firms, although he accepted that at those times, he had no audit clients. He submitted that it was not necessary for the Committee to take any action, given that he had only one audit client and that the deficiencies would not be repeated. He referred the Committee to his proposed "Action Plan", which would ensure that future audits would be conducted properly. Mr Chacko also referred to adverse health matters which he suffered at the time of the last audit in 2019 and which he submitted had adversely affected his carrying out of that audit.
9. The Committee took into account that Mr Chacko had accepted the deficiencies identified by the Senior Compliance Officer after the monitoring visit in June 2020. The Committee noted that Mr Chacko had also received an unsatisfactory monitoring visit result in 2002. The Committee did not give any weight to the successful monitoring visits in 2008 and 2014, given that they are only concerned with regulated work and not with audit clients.
10. The Committee considered that the deficiencies identified by the Senior Compliance Officer in 2020 concerned basic and fundamental aspects of audit work. The Committee was concerned that Mr Chacko had not improved the standard of his audit work over a period of 18 years since the previous unsatisfactory visit in 2002.

11. The Committee had regard to paragraphs 11.3 and 11.4 of the Regulatory Board A Policy Statement. It considered whether there was any sufficient, reliable and credible evidence to the effect that Mr Chacko and his firm were competent to carry out audit work competently in the future. Whilst the Committee was satisfied that Mr Chacko had provided a satisfactory and competent service as an accountant in general practice over very many years, it was not satisfied that Mr Chacko had demonstrated his competence to carry out audit work. Indeed, the only evidence presented to the Committee regarding Mr Chacko's audit work was that of two consecutive unsatisfactory monitoring visits in 2002 and 2020.
12. The Committee also took into account that Mr Chacko had been suffering from ill health at the time of his last audit 2019. However, the Committee considered that Mr Chacko should not have attempted to complete that audit work when unwell and should have activated his continuation arrangements.
13. For all of the above reasons, the Committee was satisfied that Mr Chacko and his firm had committed material breaches of the Audit Regulations under AR (5) (2) (f),

## **ORDER**

14. The Committee had regard to the Guidance for Regulatory Orders (2018) and to paragraph 11.4 of the Regulatory Board Policy Statement. The Committee considered that Mr Chacko's breaches of the audit regulations were fundamental and serious. The Committee further considered that Mr Chacko had failed to demonstrate any meaningful insight into the importance of complying with the audit regulations and the damage to the reputation of the profession by failing to do so.
15. The Committee was of the view that Mr Chacko sought to minimise his breaches of the Regulations by referring to the fact that he only had one audit client and that the client was a charity which did not rely on public donations. The Committee considered that Mr Chacko lacked any understanding of public

interest factors and the importance of audits being conducted properly so as to maintain public safety and public confidence.

16. The Committee considered that making no order would be wholly inadequate and would not protect public or satisfy the public interest. It also considered that any conditions would be so restrictive as to equate to the withdrawal of the audit certificate.
17. The Committee was provided with no credible evidence which would cause it to depart from the recommendation made by ACCA that Mr Chacko's and the firms audit certificate be withdrawn. Accordingly, the Committee made that order. The Committee also considered that it was proportionate and appropriate to further order that Mr Chacko completes a test of competence and attends and completes a suitable CPD course before making any application for a new audit certificate.
18. Given the need to protect the public and the public interest, the Committee directs that its orders come into effect immediately.

## **PUBLICITY**

19. The Committee heard submissions from Ms Terry on behalf of ACCA and from Mr Chacko. It had regard to the SATCAR regulations and to the Guidance on Publicity. The Committee took into account Mr Chacko's submission that identifying him by name would have a disproportionate effect on his personal and professional life. However, the Committee determined that the public interest in publication of its decision and reasons outweighed Mr Chacko's interest and made no order restricting publicity.

**Mr Andrew Gell**  
**Chair**  
**13 November 2020**