

HEARING

ADMISSIONS AND LICENSING COMMITTEE OF THE ASSOCIATION OF CHARTERED CERTIFIED ACCOUNTANTS

REASONS FOR DECISION

In the matter of: Mr Michael Edward Skuce

Heard on: Thursday, 19 August 2021

Location: Remotely via ACCA Offices, The Adelphi, 1-11 John Adam Street, London WC2N 6AU using Microsoft Teams

Committee: Mrs Helen Carter-Shaw (Chair)
Mr George Wood (Accountant)
Mr Nigel Pilkington (Lay)

Legal Adviser: Miss Juliet Gibbon (Legal Adviser)

**Persons present
and capacity:** Ms Michelle Terry (ACCA Case Presenter)
Ms Nkechi Onwuachi (Hearings Officer)

Observers: None

Summary: Mr Skuce's practising certificate with audit registration and the firm's audit certificate are withdrawn and Mr Skuce will be re-issued with a practising certificate. Any future re-application for audit registration by Mr Michael Edward Skuce, or by a firm in which he is a principal, must be

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referred to the Admissions and Licensing Committee, which will not consider the application until he has attended a suitable practical CPD course and passed a relevant test of competence approved by ACCA.

PRELIMINARY MATTERS

1. The Admissions and Licensing Committee (*“the Committee”*) had before it a bundle of papers, numbered pages 1-18, a service bundle, numbered pages 1 to 15 and a tabled additional bundle, numbered pages 1-3.
2. ACCA was represented by Ms Michelle Terry. Mr Skuce did not attend the hearing and was not represented.

SERVICE / PROCEEDING IN ABSENCE

3. The Committee was satisfied that the notice of the hearing had been properly served on Mr Skuce by email on 21 July 2021 in accordance with Regulations 6 and 11 of The Chartered Certified Accountants’ Authorisation Regulations 2014, as amended (*“the Regulations”*).
4. The Committee next considered whether it was in the interests of justice to proceed in Mr Skuce’s absence. The Committee accepted the advice of the Legal Adviser who informed it that Mr Skuce had a right to attend the hearing and to participate, and that the Committee’s discretion to proceed in his absence must be exercised with the utmost care and caution (R v Jones (Anthony) [2003] 1 AC 1 and Adeogba v the General Medical Council [2016] EWCA Civ 162). The Committee was mindful of the need to consider both the seriousness of the matter, Mr Skuce’s own interest, public protection and the interests of justice.
5. The Committee noted an email sent to the Hearings Officer on behalf of Mr Skuce by his personal assistant on 18 August 2021 that stated: *“Thank you for your email to Michael Skuce. I am his PA and am dealing with his emails as he*

is currently away on a family holiday, which unfortunately was booked some time ago. Mr Skuce contests the findings but will await the outcome of tomorrow's hearing, which will obviously have to go ahead in his absence". It was not asserted, however, how Mr Skuce contested the findings of the Senior Compliance Officer or what was in dispute. Further, Mr Skuce had not provided ACCA or the Committee with any documentary evidence to refute the findings as set out in the report.

6. The Committee noted that the Senior Compliance Officer had informed Mr Skuce in her letter of 27 May 2021 that the hearing would be taking place on 19 August 2021. ACCA's notice of the hearing, dated 21 July 2021 informed Mr Skuce that he could apply for an adjournment of the hearing. Mr Skuce had not, however, responded to the notice of hearing and although he had responded to ACCA's letter of 27 May 2021 on 25 June 2021, he had not indicated in that letter that he challenged the findings of the Senior Compliance Officer as set out in her report even though he had been invited to do so.
7. The Committee was satisfied that Mr Skuce had had ample opportunity to request an adjournment of the hearing, but he had not done so. His email to ACCA stating that he would not be attending because he was on a family holiday had been received by the Hearings Officer the day before the hearing. The email appeared to suggest that Mr Skuce was aware that the hearing would have to go ahead in his absence. The Committee was not persuaded that adjourning the hearing would result in Mr Skuce attending or participating in the case on a future date. On the information before, it and bearing in mind its duty to ensure the expeditious conduct of its business and the wider public interest, the Committee was satisfied that it was in the interests of justice to proceed in the absence of Mr Skuce.

BACKGROUND

8. Duce Taxation Services Limited (*"the firm"*) is the sole incorporated practice of Mr Michael Edward Skuce FCCA, who was admitted as a member of ACCA on 05 September 1996. The firm was reviewed between 12 February and 20 April 2021. This was the firm's third monitoring visit. The firm has two limited

company audit clients. The audit files were inspected by the Compliance Officer, and serious deficiencies were found in the audit work leading to an *'unsatisfactory'* outcome.

9. At the first monitoring review on 15 March 2012, the Compliance Officer informed the firm of the serious deficiencies in audit work which had resulted in the audit opinion not being adequately supported by the work performed and recorded on one of the two audit files inspected. The report on the review set out these deficiencies and was sent to the firm on 16 April 2012. The firm acknowledged receipt of the report in a letter received by ACCA on 21 June 2012 and set out the action that it intended to take to rectify the deficiencies identified.

10. At the second monitoring review on 13 September 2016, the Compliance Officer found serious deficiencies in audit work which had resulted in the audit opinion not being adequately supported by the work performed and recorded on one of the three audit files inspected. Overall, however, the outcome of this visit was *'satisfactory'*. The firm provided an action plan in which it set out the action that it intended to take to rectify the deficiencies identified. The Compliance Officer informed the firm that the proposed action plan was not adequate and requested a revised plan. The firm revised the action plan and provided this to ACCA on 10 February 2017.

FINDINGS OF CURRENT REVIEW

11. At the third review, the Senior Compliance Officer found that the firm had made little effective improvement to its procedures. The firm had failed to implement the action plan it had committed to in response to the findings of the 2016 monitoring review and its procedures were not adequate to ensure that it conducted all audits in accordance with the International Standards on Auditing (UK) (the ISAs). 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. There was limited recording of audit work; the firm appeared to have relied on its accounting work for the purposes of its audit and therefore several working papers comprised accounting schedules without an adequate record

of any audit work being undertaken. As a result, on both files examined, the audit opinion was not adequately supported by the work performed and recorded.

12. ACCA submitted that there were serious deficiencies in the audit work. These included failings in the following areas:

International Standard on Quality Control 1 (ISQC 1)

13. ISQC 1 requires a firm to establish policies and procedures designed to provide it with reasonable assurance that engagements are performed in accordance with professional standards and regulatory and legal requirements, and that the firm issues reports that are appropriate in the circumstances. ISQC 1.17 requires that these quality control policies and procedures should be documented and communicated to the firm's personnel. Although the firm had a documented system of quality control policies and procedures in place that appeared to comply with ISQC 1 in most respects, these were not always effective, particularly in the areas of engagement performance and monitoring, in ensuring the firm performed its audit work in accordance with the ISAs. In particular, the firm had not recorded that it had undertaken an annual compliance review of its ISQC 1 procedures which included consideration of the outcome of any reviews of completed engagements which may have been undertaken.

Findings on audit work

14. The Senior Compliance Officer found serious deficiencies throughout the files of the firm's two audit clients. The outcome of the review of both audit files examined was 'unsatisfactory' overall. Detailed findings listing the deficiencies found were provided to the Committee and had previously been discussed in detail with Mr Skuce on 20 April 2021.

Breaches of the GPRs

15. Mr Skuce and the firm have breached GPR 13(1) in that they failed to comply with the ISAs in the conduct of audit work. There were serious deficiencies in the planning, control and recording of audit work, and on both audit files the audit opinions were not adequately supported by the work performed and recorded.

ACCA'S RECOMMENDATION TO THE COMMITTEE

16. ACCA considers that it would be contrary to the presumption of competence and not in the public interest to permit Mr Skuce to retain his audit qualification and the firm's audit certificate. ACCA's recommendation to the Committee is, therefore, that it withdraws Mr Skuce's practising certificate with audit qualification with immediate effect and reissues him with a practising certificate. ACCA also recommended that, as provided for by Regulation 5(2)(f), the Committee withdraws the firm's auditing certificate with immediate effect. ACCA further recommended that the Committee imposed conditions on Mr Skuce requiring him to pass a test of competence and attend a suitable practical CPD course before he is allowed to make any future application for a practising certificate with audit qualification and/or an audit certificate for the firm.

DECISION ON APPLICATION AND REASONS

17. The Committee had regard to the submissions made by Ms Terry, on behalf of ACCA. It accepted the advice of the Legal Adviser. The Committee had regard to the guidance contained in ACCA's *"Guidance for Admissions and Licensing Hearings"* (January 2021) and the *"Regulatory Board Policy Statement and Regulatory Guidance - Audit Monitoring and ACCA's Approach to Non-Compliance with Auditing Standards"* (November 2019)".
18. The Committee paid due regard to paragraph 11.4 of the Regulatory Board Policy Statement that: "... *the Committee is entitled to rely on the findings of the monitoring visit set out in ACCA's report as establishing non-compliance with*

the requirements of auditing standards (including the principle on audit documentation that “if it is not written down it has not happened”). In the absence of sufficient reliable and credible evidence to the contrary the Committee should on the balance of probabilities find those matters set out in ACCA’s report proved ...”.

19. The Committee carefully considered the report of the Senior Compliance Officer. It did not have any evidence from Mr Skuce to refute the findings as set out in the report. The Committee was, therefore, satisfied, on the balance of probabilities, that ACCA had proved that Mr Skuce and the firm had breached PR 13(1) in that they had failed to comply with a number of the ISAs in the conduct of audit work. This was the second unsatisfactory monitoring visit out of three visits and whilst the outcome of the second visit was satisfactory there had been serious deficiencies found and an action plan had been put in place. The Committee noted that the firm had not followed that action plan resulting in the deficiencies found at the third monitoring visit. Further, there was no evidence before the Committee to indicate that Mr Skuce had any insight into the failings identified by the Senior Compliance Officer or of him having taken any steps to remedy or prevent a reoccurrence of the issues that had previously arisen.

20. In light of the serious deficiencies in this case, the Committee was satisfied that Mr Skuce and the firm should no longer be permitted to undertake audit work. In the circumstances, the Committee considered that the only proportionate order sufficient to protect the public and maintain confidence in the profession was to withdraw Mr Skuce’s practising certificate with audit qualification and the firm’s audit certificate and to re-issue Mr Skuce with a practising certificate. The Committee was satisfied that it should direct that Mr Skuce must pass a relevant test of competence and attend a suitable practical CPD course, approved by ACCA, before he is permitted to make any future application for a practising certificate with audit qualification and an audit certificate for the firm or any firm of which he is the principal. The Committee determined that any future re- application by Mr Skuce must be referred to the Admissions and Licensing Committee.

ORDER

21. The Committee made an order pursuant to Authorisation Regulations 6(16)(a)(ii) and 5(2)(f) that:
- i. The auditing certificate for the firm, Duce Taxation Services Limited, and Michael Edward Skuce's practising certificate with audit qualification be withdrawn;
 - ii. Mr Michael Edward Skuce shall be re-issued with a practising certificate;
 - iii. Any future re-application for audit registration by Mr Michael Edward Skuce, 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 attended a suitable practical CPD course and passed a relevant test of competence, approved by ACCA.
22. Given the seriousness of the audit failings in this case, the Committee was satisfied that it was in the interests of the public that the order should have immediate effect.

THE STATUTORY AUDITORS AND THIRD COUNTRY AUDITORS REGULATIONS 2016 (SATCAR)

23. The Committee considered the provisions of Regulation 6(3) of SATCAR but was satisfied that none of the four grounds in which a relevant person's name should not be published applied in this case.

Mrs Helen Carter-Shaw
Chair
19 August 2021

