

## HEARING

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

#### REASONS FOR DECISION

<b>In the matter of:</b>	<b>Mr Stephen Fryer Handley</b>
<b>Heard on:</b>	<b>Tuesday, 29 June 2021</b>
<b>Location:</b>	<b>Remotely via ACCA Offices, The Adelphi, 1-11 John Adam Street, London WC2N 6AU using Microsoft Teams</b>
<b>Committee:</b>	<b>Mrs Carolyn Tetlow (Chair) Mr Ryan Moore (Accountant) Mrs Jackie Alexander (Lay)</b>
<b>Legal Adviser:</b>	<b>Mr Alastair McFarlane (Legal Adviser)</b>
<b>Persons present and capacity:</b>	<b>Mr Benjamin Jowett (ACCA Case Presenter) Ms Nkechi Onwuachi (Hearings Officer)</b>
<b>Observers:</b>	<b>None</b>
<b>Summary</b>	<b>The auditing certificate for the firm and Mr Handley's practising certificate with audit qualification be withdrawn and they be re-issued with a practising certificate.</b>

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**Any future re-application for audit registration by Mr Handley, or by a firm in which they are a principal, must be referred to the Admissions and Licensing Committee with conditions imposed on re-application**

**Orders imposed with immediate effect**

### **PRELIMINARY MATTERS**

1. The Committee had before it a bundle of papers numbered pages 1 – 19 and a service bundle numbered pages 1 to 22.
2. ACCA was represented by Mr Jowett. Mr Handley did not attend and was not represented.

### **SERVICE/ PROCEEDING IN ABSENCE**

3. Having considered the service bundle on this case, the Committee was satisfied that the notice of the hearing dated 01 June 2021 was served on Mr Handley in accordance with the Regulations.
4. The Committee next considered whether it was in the interests of justice to proceed in Mr Handley's absence. The Committee accepted the advice of the Legal Adviser. The Committee was mindful that Mr Handley had a right to attend the hearing and to participate, and that the discretion to proceed in his absence must be exercised with the utmost care and caution.
5. The Committee noted that ACCA's notice of the hearing, dated 01 June 2021 sent to Mr Handley's address, offered him the opportunity of attending via video or telephone link. Mr Handley had responded to ACCA by an email, dated 22 June 2021 in which he indicated that he had resigned as auditor for the three audit clients and that he no longer wished to continue as a registered auditor and asked ACCA to accept his email as a formal request to be removed from the register of auditors. ACCA responded by email dated 23 June 2021, indicating that given the proximity of the intended hearing it was too late to refer

the matter to the Regulatory Assessor to consider this course and that it would be seeking to continue with its application on 29 June 2021, but that he could confirm in writing that he did not oppose the removal of his authorisation or he could still attend the hearing. Mr Handley responded by an email dated 23 June 2021, in which he stated:

*“Fair enough. I confirm that I will not oppose the removal of my authorisation to carry out audits. Let me know what happens on 29 June.*

6. By a second email dated 23 June 2021 in response to ACCA’s specific request whether he wished to attend or was content for the hearing to proceed in his absence, Mr Handley confirmed that the hearing could proceed in his absence. The Committee was satisfied that all reasonable attempts had been made to secure Mr Handley’s attendance at the hearing. The Committee was satisfied that Mr Handley had voluntarily waived his right to attend and did not wish to participate in the hearing. It was mindful that it was emphasised in *Adeogba v the General Medical Council [2016] EWCA Civ 162* that there was an obligation on all professionals subject to a regulatory regime to engage with the regulator. The Committee was not persuaded that any adjournment would increase the chance of Mr Handley 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 Handley.

## **BACKGROUND**

7. Tax Break Limited t/a Company B (the firm) is the incorporated sole practice of ACCA member, Mr Stephen Fryer Handley FCCA. The firm was reviewed on 05 March 2021. The purpose of this review was to monitor the conduct of the firm’s audit work to ensure that Mr Handley had maintained a satisfactory standard of audit work since his previous monitoring review on 05 March 2015, the outcome of which was satisfactory. The review also included confirming the firm’s eligibility for registered auditor status and monitoring compliance with the Chartered Certified Accountants’ Global Practising

Regulations 2003 (GPRs). References to a Practising Regulation (PR) are to the regulations in Annex 1, Appendix 1 (UK) to the GPRs. The firm has three limited company audit clients, and all were selected for inspection. Serious deficiencies were found in the audit work as set out below.

## **HISTORY OF MONITORING REVIEWS**

8. The firm had four previous monitoring reviews in 1996, 2001, 2008 and 2015. The first three reviews were undertaken in relation to Company B, which was the sole practice of Mr A. The outcome of these reviews was satisfactory. Subsequent to the third review the firm obtained audit registration from ACCA under the name Tax Break Limited. The fourth review took place on 05 March 2015 in relation to Tax Break Limited t/a Company B, an incorporated practice of Mr A and Mr Stephen Fryer Handley. This was Mr Handley's first monitoring review as an audit principal. At this review the Compliance Officer found that the firm only had one audit client which was a social club and, whilst the overall outcome of the review was satisfactory, there were weaknesses in the performance and recording of the work. The report on this review set out these deficiencies and was sent to the firm on 01 April 2015. The firm acknowledged receipt of the report on 21 April 2015. Mr A retired from the practice on 20 April 2015.

## **SUMMARY OF FINDINGS OF CURRENT REVIEW**

9. At the current review, which was carried out between 01 and 05 March 2021, the Compliance Officer found that the firm had not maintained adequate audit procedures. On all three files inspected, there were serious deficiencies in the performance and recording of the audit work in all key audit areas. The firm did not use an audit programme and it had no means to control the work required. There were instances where the firm had not recorded on its working papers adequate detail of the nature, timing and extent of the audit procedures it had performed, and the conclusions drawn from the audit evidence obtained. As a result, on all of the files examined the audit opinion was not adequately supported by the work performed and recorded.

10. Mr Handley responded to the findings of the monitoring review in an email dated 20 April 2021. He did not seek to dispute the Compliance Officer's findings and acknowledged that he had fallen short of the expected standards. He also indicated that before the hearing he intended to provide details of audit related CPD undertaken since the monitoring review. The Compliance Officer responded on 21 May and referred to the presumption of competence set out in PS3 of the Regulatory Board Policy Statement 2019 (the PS), the International Standards of Accounting (the ISA) and International Standard on Quality Control 1 (the ISQC (UK) 1). ISQC (UK) 1 and ISA 22 require a firm to establish and implement 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 or the engagement partners issue reports that are appropriate in the circumstances. Although the firm had a documented system of quality control policies and procedures in place, there were no policies and procedures documented relating to compliance with ethical requirements in accordance paragraph 20-25 of ISQC (UK )1. In addition, the policies and procedures with regards to engagement performance and monitoring were not effective in ensuring that the firm performed its audit work in accordance with the ISAs.

#### **DETAILED FINDINGS ON AUDIT WORK**

11. A summary of the audit files reviewed and details of the deficiencies found, were shown in the appendix to the report. The description "*unsatisfactory*" is based on the evidence seen on the files during the review and is an assessment of whether or not the audit opinion was supported on each file inspected. The deficiencies highlighted in the appendix were discussed in detail with Mr Handley at the end of the monitoring review in the closing meeting on 05 March 2021.

#### **APPARENT BREACHES OF THE GLOBAL PRACTISING REGULATIONS**

12. Mr Handley and the firm have breached GPR 13(1) in that they failed to comply with the ISA (UK) in the conduct of audit work. There were serious deficiencies

in the planning, control and recording of audit work, and in all the cases examined the audit opinions were not adequately supported by the work performed and recorded.

## **REGULATORY POWERS AND RECOMMENDED ACTION**

13. The Authorisation Regulations (ARs) set out the Committee's powers. AR 5(2) provides that the Committee may, if in its absolute discretion it thinks fit, withdraw, suspend or impose conditions upon a certificate on seven different grounds. ACCA submitted that AR 5(2)(f), appears to be relevant in this case. It provides that the Committee may withdraw, suspend or impose conditions 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 any other rules and regulations or codes of practice to which they are subject (or were subject prior to 1 January 2014) in the carrying on of the activities to which the certificate relates or authorises;”*

14. AR 5(3) further provides that, in determining whether to exercise its powers under AR 5(2), the Committee shall have regard to such matters as it considers relevant.

15. ACCA referred the standard of Mr Handley's audit work for the Committee's consideration following the approach set out in PS9.2(iii) of the PS and paragraph 6.3.2 of the Regulatory Guidance, based on the following relevant facts:

- i. Mr Handley has had two audit monitoring reviews;
- ii. The second of his two reviews had an unsatisfactory outcome;
- iii. The firm has made little attempt to comply with auditing standards and the quality of the audit work was generally very poor.
- iv. There are serious concerns about Mr Handley's ability and willingness to

maintain a satisfactory standard of audit work.

### **ACCA's RECCOMENDATION**

16. In light of the above facts and acknowledging Mr Handley's indication that he has undertaken audit related CPD subsequent to the review, ACCA considered that permitting Mr Handley to retain his audit certificates would not be in the public interest and was contrary to the presumption of competence explained in PS3. Further, ACCA noted that Mr Handley no longer had any audit clients and did not oppose the removal of his audit registration. ACCA therefore recommended that the Committee withdraw Mr Handley's audit qualification and his firm's auditing certificate and impose conditions on Mr Handley requiring him to pass a test of competence and attend a suitable practical CPD course before making any future reapplication for the audit certificates.

### **MR HANDLEY'S SUBMISSIONS**

17. The Committee had regard to Mr Handley's emails of 22 and 23 June 2021 in which he indicated that he had resigned as auditor for the three audit clients and that he no longer wished to continue as a registered auditor. He asked ACCA to accept his email as a formal request to be removed from the register of auditors and confirmed in writing that he did not oppose the removal of his authorisation to carry out audits.

### **DECISION ON APPLICATION AND REASONS**

18. The Committee had regard to the submissions made by Mr Jowett on behalf of ACCA and those by Mr Handley in his June 2021 emails.
19. The Committee accepted the Legal Adviser's advice. The Committee had regard to the guidance contained in ACCA's "*Guidance for admissions and licensing hearings*" (January 2019) and the "Regulatory Board Policy Statement and Regulatory Guidance - Audit Monitoring and ACCA's Approach to Non-Compliance with Auditing Standards" (November 2019).

20. The Committee carefully considered all the material before it. It was satisfied that Mr Handley and the firm have breached PR 13(1) in that they failed to comply with the International Standards on Auditing (UK) in the conduct of audit work. Given the wide-ranging and pervasive nature of the failings and their seriousness, and Mr Handley's acceptance that he no longer wishes to hold audit registration, the Committee was satisfied that the appropriate and proportionate order was to withdraw Mr Handley's practising certificate with audit qualification and that he be re-issued with a general practising certificate. It was also appropriate to withdraw the firm's audit certificate. The Committee also decided to order that that Mr Handley and the firm should, if they reapply for audit registration in the future, be referred to the Admissions and Licensing Committee and required to provide an action plan, attend a practical audit course and pass the advanced audit and assurance paper of ACCA's professional qualification.

#### **ORDER**

21. The Committee made an order pursuant to Authorisation Regulation 6(16) that:
- i. The auditing certificate for the firm and Mr Handley's practising certificate with audit qualification be withdrawn and they be re-issued with a practising certificate.
  - ii. Any future re-application for audit registration by Mr Handley, or by a firm in which they are a principal, must be referred to the Admissions and Licensing Committee, which will not consider the application until they have provided an action plan, which ACCA regards as satisfactory, setting out how Mr Handley intends to prevent a recurrence of the previous deficiencies and attended a practical audit course, approved by ACCA and, following the date of this order, passed the advanced audit and assurance paper of ACCA's professional qualification.

#### **EFFECTIVE DATE**

22. The Committee determined that it was in the public interest given the



seriousness of the failings and the issue of public protection to direct that the order has immediate effect.

## **PUBLICITY**

23. The Committee noted that AR 6(14)(c)(i) indicates that all orders, suspensions and conditions relating to the certificate of the relevant person made by the Committee pursuant to AR 6(16)(a)(ii) to (iv) shall be published, together with the reasons for the Committee's decisions and the name of the relevant person, as soon as practicable. The Committee found that none of the grounds in Regulation 6 (3) of the Statutory Auditors and Third Country Auditors Regulations (SATCAR) apply and directs publication.

**Mrs Carolyn Tetlow**  
**Chair**  
**29 June 2021**