

## HEARING

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

#### REASONS FOR DECISION

- In the matter of:** Mr John Nicholas Assie FCCA
- Heard on:** Monday, 11 January 2021 and Thursday, 25 March 2021
- Location:** ACCA, The Adelphi, 1-11 John Adam Street, London, WC2N 6AU, remotely via Teams
- Committee:** Mrs Helen Carter-Shaw (Chair)  
Mr Edward Weiss (Accountant)  
Mrs Lynne Jones (Lay)
- Legal Adviser:** Mrs Fiona Barnett
- Persons present  
and capacity:** Mr Benjamin Jowett (ACCA Case Presenter)  
Miss Anna Packowska (ACCA Hearings Officer)  
Mr John Nicholas Assie (Member)  
Mr Christopher Cope (Representative)
- Summary:** Mr Assie and the Firm be subject to an accelerated monitoring visit before December 31, 2021.

**Must not accept any new audit appointments unless Mr Assie and the Firm achieve a satisfactory outcome at the accelerated monitoring visit referred to above.**

#### ACCA



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**Must, within 28 days of the date of this decision, submit to ACCA an action plan which addresses the deficiencies in auditing and breaches of ethical standards identified in the 2020 Compliance Officer's report**

**Order to have immediate effect**

1. Mr Assie attended and was represented by Mr Christopher Cope.

#### **BRIEF BACKGROUND**

2. Prior to the monitoring visit on 18 – 19 February 2020 which was the subject of this hearing, Mr Assie had had five monitoring visits. The first visit was carried out to his sole practice, Excalibur Business Services, in November 2001. The second and third visits were to his sole practice, Excalibur Business Services, and his incorporated practice, Audit-Ease Limited, in August 2005 and July 2007 respectively.
3. At the first and the second visits in November 2001 and August 2005, the Compliance Officer informed Mr Assie of serious deficiencies in audit work, which had resulted in audit opinions not being adequately supported by the work performed and recorded. Following the second unsatisfactory visit the findings were referred to the Admissions and Licensing Committee, ("ALC").
4. At the ALC's meeting on 14 December 2005, it ordered that Mr Assie be required to:
  - i Have all work on four audit clients, selected by the Monitoring Unit, and all other work in respect of reports to any regulatory body reviewed by a training company before reports are signed, such training company being subject to ACCA approval;

- ii Notify ACCA within six weeks of the date of written notification of the decision of the identity of the registered auditor or training company referred to in i above;
  - iii Be subject to an accelerated monitoring visit before 31 December 2007 at a cost to the Firm of £900 and £250 for each additional audit qualified principal;
  - iv Note that a failure to make the necessary improvements in the level of compliance with auditing standards and with the requirements of any regulators by that time will jeopardise his and his firm's continuing audit registration.
5. At the third visit on 27 July 2007, the Compliance Officer found that audit procedures had improved significantly. Although some deficiencies remained, overall the outcome was satisfactory. The report was sent to Mr Assie on 31 August 2007 releasing him from the terms of the ALC's order. The Compliance Officer warned Mr Assie in the report that failure to maintain a consistent satisfactory standard of audit work may jeopardise continuing audit registration. The Firm confirmed receipt of the report on 18 September 2007.
6. The fourth and fifth visits on 09 November 2011 and 05 March 2014 were to Mr Assie's sole practice, Nicholas Assie Limited, ("the Firm"). At each visit the Compliance Officer found that while there were some weaknesses in the performance and recording of the work, the outcome of the visit on the conduct of audit work was satisfactory.
7. The sixth monitoring visit took place on 18 and 19 February 2020. The purpose of this visit was to monitor the conduct of the Firm's audit work. The visit also included confirming the Firm's eligibility for registered auditor status and monitoring compliance with the Chartered Certified Accountants' Global Practising Regulations 2003 (GPRs).
8. The Firm had nine charity and three resident management companies on which it had issued audit opinions. Two charities and one management company were

selected for inspection at the monitoring visit. The Compliance Officer found that the Firm was not producing a consistently satisfactory standard of audit work. On the two charity audit files examined serious deficiencies were found in the performance and recording of the audit work. The Firm was using a standard audit programme on all audits, but the Compliance Officer found the Firm was not tailoring this to ensure that it met the needs of the audit of each client. The working papers on the charity files allegedly contained no indication of any audit work performed in key audit areas. Two of the three files were graded as unsatisfactory and, as a result, the outcome of the monitoring visit was unsatisfactory.

9. In its consideration of this matter, the Committee had before it a bundle with pages numbering pages 1 – 21, and a tabled additional bundle with pages numbering 1 to 27.

## **APPLICATION**

10. ACCA allege that Mr Assie and the Firm have breached Global Practising Regulation (“GPR”) 13(1) in that they failed to comply with the International Standards on Auditing (UK) in the conduct of audit work. It is alleged that there were deficiencies in the planning, control and recording of audit work, and in two of the three cases examined, the audit opinions were not adequately supported by the work performed and recorded.
11. Mr Jowett submitted that previous improvements made by the Firm have not been sustained and any improvements made were as a result of regulatory action. He said that the issue with the Firm was one of consistency in maintaining standards. Mr Jowett referred the Committee to the two cold reviews, details of which were in the tabled additional documents. Mr Jowett submitted that these reviews, which were carried out by Mr Adrian Gibbons of Mercia Group, were carried out subsequent to the monitoring visit. He submitted that whilst the reports identify a good standard of auditing, these do not undermine the findings of the Compliance Officer.

12. Mr Jowett invited the Committee to remove the Firm's audit certificate and Mr Assie's Practising Certificate with Audit Qualification, and reissue Mr Assie with a Practising Certificate.

### **SUBMISSIONS ON BEHALF OF MR ASSIE**

13. Mr Cope told the Committee that Mr Assie opposed the removal of his Firms' audit certificate and his practising certificate with audit qualification. He said the Firm now has nine statutory audits, all of which are charity audits, and that Mr Assie did not have these clients when he took over the Firm in 2015. Mr Cope said that the removal of the certificates would result in the loss of 38% of Mr Assie's turnover.
14. Mr Cope submitted that the events which led to the ALC hearing in 2005 were historic and invited the Committee to look at the audit history over the last ten years only. He said that Mr Assie accepts the findings of the Compliance Officer and pointed out that one of the files examined at the sixth monitoring visit was satisfactory.
15. Mr Cope submitted that withdrawal of the certificates would be unreasonable and draconian. He said that the three monitoring visits prior to the February 2020 visit had a satisfactory outcome and that there are now exceptional reasons which justify not withdrawing the certificates; these exceptional reasons are the outcomes from the two cold file reviews carried out by Mercia Group; both of these rated the audit work with a grade "B" and confirmed that weaknesses identified by ACCA in February 2020 have now been addressed, so that the audit work was good.
16. Mr Cope explained that Mr Assie took over the Firm from Mr Jackson in 2015. Mr Jackson remained with the Firm as a consultant and was using an audit package called Kestrian. After Mr Jackson retired in 2017, Mr Assie changed from using the Kestrian audit programme and adopted a software programme called Croner i in May 2019. Mr Cope said that the audit work carried out following the adoption of Croner i was all satisfactory, but that the work examined during the February 2020 monitoring visit had been carried out using

the previous Kestrian programme. Mr Cope submitted that the issue was one of recording, rather than an issue of auditing of itself, and he submitted that the imposition of conditions on the certificates would be a proportionate response.

17. Prior to making his final submission, Mr Cope called Mr Assie to give evidence to the Committee.

## **EVIDENCE**

18. Mr Assie told the Committee that he now had the most comprehensive audit package with Croner i software, and that he signed up with Croner prior to the monitoring visit in 2020. He said that although he had limited staff resources, he now had the technical resource with Croner i to improve and maintain the standard of his audit work.
19. Mr Assie said that when Mr Jackson left, the staff member who assists with audits, (who was unqualified), was operating more on his own. Mr Assie then realised that the Kestrian package was not sufficient. He said that the Kestrian programme did not really provide the scope for recording information independently; Croner i however, lends itself more easily to recording the audit work done.
20. Mr Assie accepted, when questioned, that when he signed off the audits that were examined in 2020, he thought they were satisfactory, but realises that the issue was one of recording. He said that following the visit in 2020, he has discussed matters with his colleague, updated documentation and tailored their audit planning procedures. He explained that he has been carrying out satisfactory audits for a long time, but that the challenge arose with the charity clients they acquired from Mr Jackson's practice.

## **DECISION ON APPLICATION AND REASONS**

21. The Committee accepted the advice of the Legal Adviser. In reaching its decisions it took account of ACCA's *Regulatory Board Policy Statement and Regulatory Guidance – Audit monitoring and ACCA's approach to non-*

*compliance with auditing standards* – November 2019, (PSRG). It bore in mind that it must act proportionately, balancing the interests of Mr Assie and the Firm against the purpose of a regulatory order.

22. The Committee first considered, in accordance with Authorisation Regulation 5(2)(f) Authorisation Regulations 2014, (“AR”), as amended 01 January 2020, whether there was a material breach of any regulations, rules, or codes of practice to which Mr Assie and the Firm were subject in the conduct of audit work.
23. The Committee had regard to the Compliance Officer’s report. The Compliance Officer had concluded that two of the three files examined at the monitoring visit were unsatisfactory and that numerous breaches of the International Standards on Auditing (ISA’s) were identified, as well as breaches of the applicable ethical standards. The Committee bore in mind that Mr Assie did not dispute the content and conclusions of the report and that he brought no evidence to contradict it.
24. The Committee was, therefore, satisfied that Mr Assie and the Firm had committed a material breach of Global Practising Regulation 13, in that the audit work examined revealed numerous breaches of the ISA’s and ethical standards. The ISA’s breached were: 230, 500, 210, 220.15, 220.16, 220.17, 315,300, 240, 250, 450, 550, 520, 560, 570, 330.24, and 710. The ethical standards breached were 3.5, 3.6, and 5.164.
25. The threshold was therefore reached for the Committee to consider making a regulatory order pursuant to AR 5(2)(f).
26. The Committee then considered whether to impose a regulatory order, and if so, which order it should impose.
27. In reaching its decision, it bore in mind Mr Cope’s submission that auditing matters more than 10 years ago were historic and should not be taken into account by the Committee in deciding what order to impose.

28. The Committee rejected this submission and decided that it would be appropriate to look at the complete auditing history rather than taking a selective approach to which matters it should take into account. Its view was that its role was to carry out a risk assessment, and that it could only do so effectively by looking at the full picture of Mr Assie's auditing. The Committee's view was that considering a period of only 10 years would not be consistent with the spirit of ACCA's PSRG.
29. The Committee considered whether to dismiss the application and take no action on the auditing certificates. It decided, having considered all of the evidence before it, that there were a number of ongoing risks, and that if no action was taken, these risks would continue without being addressed. The risks the Committee identified were these:
- The Firm is a small Firm with limited resources to carry out audit work. There are two staff members in addition to Mr Assie, one of whom assists with audits; however, this staff member is unqualified. The audit history demonstrated that the Firm did not appear to have the capacity and resources to ensure that it complied consistently with audit standards.
  - The Firm had a history of making improvements and then not sustaining them.
  - Given the size of the Firm, it may not have proper safeguards in place to maintain audit independence.
30. The Committee concluded, therefore, that taking no action would not protect the public, nor would it ensure that proper standards of auditing are maintained and maintain public confidence in the accountancy profession.
31. The Committee considered whether it would be appropriate to impose conditions on the audit certificates which would address the risks outlined above. The Committee was mindful that during the monitoring period, (from



2005 until the visit in 2020), the Firm has fluctuated between a satisfactory and an unsatisfactory standard of auditing.

32. In accordance with paragraphs 9.5 and 9.6 of ACCA's Policy statement, the Committee will be expected to withdraw the certificates in these circumstances unless there are exceptional reasons which would justify not doing so. Paragraphs 9.5 and 9.6 state:

*9.5. In cases where a Firm fluctuates between an overall satisfactory and unsatisfactory standard, there will be serious concerns about its capability and willingness to sustain a satisfactory standard. It will have developed at least one previous action plan, and in some cases more than one, but the inspection findings indicate that the Firm has not effectively implemented its planned actions. ACCA will consider the Firm's and engagement partners' monitoring history with particular focus on the number and age of past unsatisfactory visit outcomes before deciding on the appropriate action. Although there will be exceptions, in the majority of cases ACCA is likely to refer the matter to the Admissions and Licensing Committee with the recommendation that it withdraws the audit certificates.*

*9.6. Unless the Committee is satisfied that there are clear exceptional reasons for not doing so, it will normally follow this policy and ACCA's recommendation and withdraw the audit certificates. In addition, the Committee will normally place conditions on the engagement partners, such as passing a test of competence and attending a suitable practical CPD course, before being permitted to make any future reapplication for the certificates.*

33. The Committee carefully examined the Firm's audit history and identified two exceptional reasons which would justify not withdrawing the audit certificate. These were as follows:

- There was a long period of time, from July 2007 until March 2014, when the Firm maintained a satisfactory standard of auditing over three

monitoring visits. Whilst the Firm was the subject of a regulatory order at the visit in July 2007, it had been released from that order at the time of the visits in November 2011 and March 2014.

- Mr Assie initiated changes to his audit work by introducing a new, more comprehensive audit software package, Croner i. This was introduced prior to the monitoring visit in 2020 but had not been used for the audits of the files that were examined at that visit. These changes had therefore not had an opportunity to take effect at that time. However, given that the last visit was now almost one year ago, improvements in recording audit evidence have now had the opportunity to take full effect in practice, and this should mitigate any significant risk in terms of not tailoring the software accordingly.
34. The Committee had regard to the two cold reviews carried out by Mercia Group in November and December 2020, upon which Mr Cope placed reliance. Mercia allocated Grade B in respect of both reviews and concluded that these were good audit files which addressed weaknesses in the Compliance Officer's report. The existence and outcomes of these cold reviews do not, of themselves, amount to exceptional reasons for not withdrawing the certificate. However, they serve to support the Committee's view that effective steps have been taken by Mr Assie to improve his audit practice and remediate issues arising from not tailoring the software for the particular audit.
35. The Committee, therefore, concluded that withdrawing the certificates was neither appropriate nor proportionate given the exceptional reasons outlined above.
36. The Committee considered paragraphs 8.2.2 to 8.2.8 of ACCA's PSRG. It was satisfied that Mr Assie is capable of making sustained improvements in his audit practice in future and bore in mind the Compliance Officer's conclusion that one file at the February 2020 visit was satisfactory. There have also been three compliance visits with satisfactory outcomes in 2007, 2011, and 2014.

37. The Committee did not identify any significant concerns about Mr Assie's insight into the failings in the work and there was a clear acceptance of, and commitment to, the need to make and sustain improvements. The Committee was satisfied that it could devise workable, measurable conditions to protect the public; these would limit the number of audit appointments taken on by the Firm until Mr Assie had demonstrated, through an action plan and an accelerated monitoring visit, that the changes he had implemented with improved software, audit planning and new documentation would ensure a consistently satisfactory standard of auditing.
38. The imposition of conditions was, in the Committee's view, the minimum regulatory action necessary to address the risks. Conditions on the audit certificates should ensure that the public is protected, and proper auditing standards are maintained, whilst permitting Mr Assie to continue with his audit work and demonstrate consistent improvements in his audit practice. The Committee decided that the conditions set out below will be imposed upon Mr Assie's practising certificate with audit qualification, and the Firm's audit certificate.

### **ORDER AND REASONS**

39. The Committee made an order pursuant to Authorisation Regulations 6(16)(a)(iv) and 5(2)(f) that Mr Assie and the Firm:
- 1) Be subject to an accelerated monitoring visit before December 31, 2021 at a cost to the Firm (plus VAT at the prevailing rate) of £1,200 and £500 for each additional audit qualified principal;
  - 2) Must not accept any new audit appointments unless Mr Assie and the Firm achieve a satisfactory outcome at the accelerated monitoring visit referred to in condition 1.
  - 3) Must, within 28 days of the date of this decision, submit to ACCA an action plan which addresses the deficiencies in auditing and breaches of ethical standards identified in the 2020 Compliance Officer's report. In

particular this action plan must set out, with timescales, the action to be taken to ensure that:

- a. Processes and resources are in place to ensure that any of the recording and verification deficiencies noted against ISA 500 are not repeated in future audits;
  - b. Proper supervision, direction, performance and review is carried out and evidenced by the principal (ISAs 220.15-17 inc);
  - c. Staff undertaking the preliminary analytical review of any file would be able to identify the existence of unusual transactions or events, and amounts, ratios, and trends that might indicate matters that have audit implications, (ISA 315);
  - d. Adequate work has been carried out to ensure that the going concern basis is appropriate, (ISA 570);
  - e. There are adequate safeguards to mitigate the self-review threat (CEC600);
- 4) Note that failure to make the necessary improvements in the level of compliance with auditing standards by the time of the accelerated monitoring visit will jeopardise Mr Assie's and the Firm's continuing audit registration.

## **PUBLICITY**

40. Mr Cope invited the Committee to anonymise Mr Assie in any publicity. He submitted that if the Committee had decided to withdraw audit registration, then it should be brought to the attention of the public. However, he said that the order made did not need to be brought to the attention of the public, and that the public did not need to know what the conditions were. He submitted that it was entirely a matter between Mr Assie and ACCA, and that identifying Mr Assie in any publicity would be disproportionate, although he did not elaborate on this.

41. Mr Assie also addressed the Committee. He said that naming him in any publicity would be disproportionate and the public did not need to know about the conditions pursuant to which he will be carrying out audits.
42. Mr Jowett submitted that Mr Cope was wrong in his submission that the position would be different if the Committee had withdrawn the certificate, as opposed to where conditions have been imposed. He submitted that there had been no persuasive submission that identification of Mr Assie in any publicity would be disproportionate, and that members of the public should be aware of the terms under which Mr Assie will be carrying out any audit work.
43. The Committee accepted the advice of the Legal Adviser.
44. The Committee was not satisfied that any evidence had been provided to persuade it that naming Mr Assie in any publicity would be disproportionate. It also bore in mind that the main purpose of publicity was to uphold the wider public interest.
45. The Committee ordered that Mr Assie and the Firm be named in any publicity.

#### **EFFECTIVE DATE OF ORDER**

46. Mr Jowett invited the Committee to make an immediate order.
47. Mr Cope did not oppose the application.
48. The Committee decided, given the deficiencies in Mr Assie's and the Firm's audit work, that it is in the interests of the public for this order to come into effect immediately, and it so ordered.

**Mrs Helen Carter-Shaw**  
**Chair**  
**25 March 2021**