

HEARING

ADMISSIONS AND LICENSING COMMITTEE OF THE ASSOCIATION OF CHARTERED CERTIFIED ACCOUNTANTS

REASONS FOR DECISION

- In the matter of:** Mr Sutinder Singh Khehar FCCA
- Heard on:** Tuesday, 18 May 2021
- Location:** Remotely via ACCA Offices The Adelphi 1-11 John Street
London WC2N 6AU using MS Teams
- Committee:** Mr Andrew Popat CBE (Chair),
Ms Fiona MacNamara (Accountant), and
Ms Sue Heads (Lay)
- Legal Adviser:** Mr Sanjay Lal
- Persons present
and capacity:** Ms Michelle Terry (ACCA Case Presenter)
Ms Anna Packowska (Hearings Officer)
- Outcome:** Mr Khehar's Practising Certificate with Audit
Qualification to be removed with immediate effect and
replaced with a Practising Certificate

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PRELIMINARY APPLICATIONS/SERVICE OF PAPERS

1. The Committee had before it a Main Bundle pages 1-17, a Service Bundle pages 1-12, an Additional Bundles (1) pages 1-7 and an Additional Bundles (2) pages 1-2.
2. The Committee noted that Notice of today's hearing had been sent to Mr Khehar by email on 20 April 2021. It noted his emailed response dated 13 May 2021 in which he confirmed he would not be attending and was content for the Committee to proceed in his absence. The Committee was satisfied that the Notice of Hearing complied with Regulation 6 of the Authorisation Regulations.

PROCEEDING IN ABSENCE

3. The Committee noted it has a discretion to proceed in the absence of the Member. It is satisfied in light of the email response from Mr Khehar referred to above that he has voluntarily chosen to absent himself. There is a public interest in hearing the matter today and Mr Khehar has not applied for an adjournment. The Committee was satisfied that he has waived his right to attend.

BRIEF BACKGROUND

4. S S Khehar Accountancy Services Limited is the incorporated sole practice of ACCA member, Mr S S Khehar FCCA.
5. The firm had an audit monitoring review on 02 February 2021. This was the fourth review and its purpose was to monitor the conduct of the firm's audit work. 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).
6. It was revealed during the review that the firm has held at least two audit appointments in the last twenty-four months. ACCA submit that Mr Khehar did not disclose the correct number of audit appointments on his firm's practising certificate renewal forms and on the list provided to the Compliance Officer during the monitoring review.

7. In addition, it is alleged that he had not retained the audit files for the client not disclosed to ACCA. Only one audit file was made available for inspection. Significant deficiencies were found in the audit work, there being deficiencies in the planning, control and recording of audit work in the only file available for inspection and the audit opinion was not adequately supported by the work performed and recorded.
8. Prior to the review, the Compliance Officer carried out standard pre-review activities. This revealed twenty-three clients where the firm appeared as auditors on the financial statements filed at Companies House, but which were not disclosed as audit clients on the firm's auditing certificate renewal form or on the list provided by the firm at the time of the review.
9. Mr Khehar accepted his firm has acted as auditor to only one of the twenty-three audit clients, for the years ended 30 November 2016, 2017 and 2018. He also acknowledged that he had not disclosed this audit client on the firm's practising certificate renewal forms for 2018 and 2019. However, he informed the Compliance Officer that he had never acted as an auditor or accountant for the remaining twenty-two audit clients and that his firm's name had been used fraudulently.
10. ACCA submit that due to the outcome of the review, Mr Khehar may not be a 'fit and proper' person under GPR 8(2)(d) in that he has committed material breaches of applicable regulations of the Association. GPR 14(2) requires that *"members must supply the Association with all the information necessary to enable the Association to complete its monitoring process and quality assurance programme efficiently."*
11. In addition, ACCA submit Mr Khehar has breached section R111 of ACCA's Code of Ethics and Conduct (CEC) in that he has not acted with integrity. In particular, section R111.1 requires that a professional accountant shall comply with the principle of integrity, which requires an accountant to be straightforward and honest in all professional and business relationships. R111.2(a) of the CEC requires that a professional accountant shall not knowingly be associated with returns, communications or other information which contains a materially false or misleading statement.

12. Furthermore, it was found that Mr Khehar has not retained the audit files of one of his audit clients for any of the three years 30 November 2016 to 2018. It is stated that the firm has breached CEC Section B6 paragraph 5, which states that audit working papers shall be retained for a minimum period of seven years.

DECISION AND REASONS

13. The Committee were invited to consider the Monitoring Review Report of 02 February 2021 and the matters arising above. The first is Mr Khehar's fitness and propriety and therefore eligibility to hold a practising certificate with audit qualification. The second is the standard of audit work.
14. Fitness and propriety are governed by the Authorisation Regulations and allows the Committee to have regard to such matters as the Committee considers relevant and in respect of whether a holder of a certificate is a fit and proper person, the Committee shall have regard to all or any of the matters referred to in the Practising Regulations.
15. The Committee was satisfied that the following facts have been established in relation to audit work undertaken by both Mr Khehar and his firm on the basis of the history of this matter as set out in the papers and specifically the Monitoring Visit Report from February 2021:
 - Mr Khehar has had four audit monitoring reviews in the past.
 - Three reviews had unsatisfactory outcomes.
 - The firm was previously referred to the Admissions and Licensing Committee following the second review which imposed 'hot' reviews.
 - There was some improvement to the standard of audit work at the Committee ordered third review, but this was not maintained by the fourth review.
 - The firm has failed to achieve a satisfactory outcome at the fourth review in spite of the advice and warning given at the previous review.

- There were deficiencies in the planning, control and recording of audit work in the only file available for inspection and the audit opinion was not adequately supported by the work performed and recorded. The file only contained accounting schedules and an audit was neither planned or carried out.
 - Mr Khehar has failed to declare one audit client to ACCA.
 - Mr Khehar has not retained the audit files of this client for the minimum period required by the CEC.
16. In light of the above facts which the Committee found were made out, there being no challenge by Mr Khehar to the outcome of the Monitoring Review on 02 February 2021, the Committee considered Mr Khehar is not a “fit and proper” person for the purposes of audit work, and permitting Mr Khehar to retain his audit certificates would not be in the public interest. The Committee was satisfied that the acts and omissions as found above demonstrated serious departures from the standards expected in respect of audit work. The Committee noted Mr Khehar’s declared intention to retire soon, resign as the auditor of his one audit client and also his wish not to renew his Practising Certificate in the future. The Committee noted that he had not done so at the time of this hearing.
17. The Committee therefore determined in light of the wide-ranging deficiencies identified in respect of audit work that Mr Khehar’s audit qualification and his firm’s auditing certificate be withdrawn and he be issued with a practising certificate.
18. In addition, the Committee determined that any future re-application for audit registration by Mr Khehar, or by a firm in which he is a principal, must be referred to the Admissions and Licensing Committee, where Mr Khehar is required to pass a test of competence and attend a suitable practical CPD course.

EFFECTIVE DATE OF ORDER

19. This order is made with immediate effect in order to protect the public.

Mr Andrew Popat CBE
Chair
18 May 2021