

CONSENT ORDER CHAIR OF THE ASSOCIATION OF CHARTERED CERTIFIED ACCOUNTANTS REASONS FOR DECISION

In the matter of: Mr Giuseppe Sole

Considered on: Tuesday, 09 August 2022

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

Chair: Mr Andrew Popat

Legal Adviser: Mr Richard Ferry Swainson

Summary: Consent order approved

Costs: Mr Sole to pay costs to ACCA in the sum of £2,513

1. The Chair considered a draft Consent Order in respect of Mr Sole. The matter was listed to be considered on the basis of documents only. Neither Mr Sole nor ACCA were present or represented.
2. The Chair was provided with the draft Consent Order, signed by Mr Sole on 04 July 2022 and a signatory on behalf of ACCA on 18 July 2022, together with supporting documents in a bundle numbered 1 to 207. In addition, there was a service bundle and a costs schedule.

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ACCA



+44 (0)20 7059 5000



info@accaglobal.com



www.accaglobal.com



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

3. The Chair was satisfied that Mr Sole had been properly notified of the meeting by an email dated 08 August 2022.

BACKGROUND

4. It was alleged by ACCA, and Mr Sole admitted, that he was guilty of misconduct, pursuant to bye-law 8(a)(i) in respect of the below matters:
 1. Mr Guiseppe Sole FCCA, in his position as principal of Sole Associates Accountants Ltd (“the firm”), breached the fundamental principle of professional competence and due care (2018-2019) by virtue of the fact that the firm:
 - (a) incorrectly presented a debit balance of, or around, £113,210 in respect of loan(s) to director(s) within creditors instead of debtors in the unaudited accounts of Company A for the years ended 31 October 2017 and 31 October 2018;
 - (b) did not correctly report director loan(s) and/or associated Section 455 tax in the corporation tax returns of Company A for the years ended 31 October 2017 and/or 31 October 2018;
 - (c) did not include disclosures in accordance with Section 413 of Companies Act 2006 in relation to director loan(s) in Company A’s unaudited accounts for the years ended 31 October 2017 and 31 October 2018;
 - (d) incorrectly disallowed expenses in the corporation tax returns of Company B for the years ended 31 October 2017 and 31 October 2018, as a result of which the group of companies of which Company B was a member declared and paid excessive corporation tax to HM Revenue & Customs.
 2. By virtue of the facts set out above, Mr Sole is guilty of misconduct pursuant to bye-law 8(a)(i).

5. The details were set out in the attached draft Consent Order. ACCA's Investigating Officer and Mr Sole had agreed with the form of order which proposed a severe reprimand and made an order for costs.

DECISION AND REASONS

6. In accordance with Regulation 8 of The Chartered Certified Accountants' Complaints and Disciplinary Regulations 2014, as amended, the Chair has the power to approve or reject the draft Consent Order or to recommend amendments. The Chair can only reject a signed draft Consent Order if they are of the view that the admitted breaches would more likely than not result in exclusion from membership.
7. The Chair was satisfied that there was a case to answer and that it was appropriate to deal with the complaint by way of a Consent Order. The Chair was also satisfied that the Investigating Officer had followed the correct procedure.
8. The Chair considered the bundle of evidence and, on the basis of Mr Sole's admission, found the facts proved. The Chair was satisfied that the admitted facts, and Mr Sole's actions, were sufficiently serious to amount to misconduct in that they brought discredit upon Mr Sole, his firm, the Association and the accountancy profession.
9. Mr Sole is the principal of Sole Associates Accountants Limited ("the firm").
10. With reference to Allegation 1(a), The firm prepared Company A s unaudited accounts for the years ended 31 October 2017 and 31 October 2018. As stated in Financial Reporting Standard (FRS) 102, *An entity shall not offset assets and liabilities...unless required or permitted by an FRS...*. However, when preparing Company A s accounts for the year ended 31 October 2017 and 31 October 2018, the firm incorrectly presented a debit balance of, or around, £113,210 in respect of loan(s) to director(s) within creditors in the Statement of

Financial Position, when this should have been presented as an asset within debtors.

11. Mr Sole has informed ACCA that this was an error.
12. With regards to Allegation 1(b), the firm also prepared Company A's corporation tax returns for the years ended 31 October 2017 and 31 October 2018.

For the year ended 31 October 2017:

- The firm failed to complete supplementary CT600A pages for the year ended 31 October 2017 and submit the same to HM Revenue & Customs.
- As described in allegation 1(a), there was a balance of or around £113,210 in respect of loan(s) to director(s) on 31 October 2017. This should have been recorded on supplementary CT600A pages with the corporation tax return, which are for recording loans and arrangements to participators by close companies.
- ACCA has not been able to verify when, and/or if, the loan(s) to director(s) balance of £113,210 on 31 October 2017 has been repaid/cleared.
- However, Mr Sole has informed ACCA that his understanding was that the loan was repaid within nine months (of the year-end) and that this was the basis on which the firm prepared the corporation tax return.
- On the basis of Mr Sole's own account, the firm should also have recorded repayment of the loan(s) to director(s) within nine months of the year-end in supplementary CT600A pages with the corporation tax return.
- Mr Sole has informed ACCA that the supplementary CT600A pages were not completed because the loan(s) to director(s) balance of £113,210 was incorrectly presented in the accounts within creditors, instead of debtors.

13. For the year ended 31 October 2018:

- The total balance in respect of loan(s) to director(s) in the accounts for the year ended 31 October 2018 prepared by the firm was £182,603. Of this, £69,392 was recorded in debtors and £113,210 was incorrectly recorded within other creditors as described above in allegation 1(a).
 - The firm recorded loan(s) to director(s) of £69,392 in the supplementary CT600A pages with the corporation tax return for the year ended 31 October 2018, on which Section 455 tax was calculated.
 - However, Mr Sole has informed ACCA that the loan(s) to director(s) balance was inadvertently understated by £113,210 and it should have been recorded as £182,603.
 - Mr Sole informed ACCA that this was not picked up because the brought forward balance was accepted as being correct.
14. With reference to Allegation 1(c), Section 413 of Companies Act 2006 requires certain disclosures in the accounts in respect of loans to directors. However, despite there being closing loan(s) to director(s) balances in years ended 31 October 2017 and 31 October 2018 of, or around, £113,210 and £182,603 respectively, the firm included no associated disclosures in the accounts of Company A, which it prepared.
15. Mr Sole has informed ACCA that this was an error on the firm's part.
16. With reference to Allegation 1(d), Company B had two wholly owned subsidiaries. In preparing Company B's corporation tax return for the years ended 31 October 2017 and 31 October 2018, the firm incorrectly disallowed expenses incurred by Company B. Specifically, the net profits were treated as not assessed under Schedule D Case I, which thereby meant that the expenses recorded in the Income Statements in the accounts were disallowed for tax purposes. As a result, the expenses were neither surrendered to be offset against taxable profits of either of Company B's subsidiaries nor carried forward as losses to future years.

17. The Group's successor accountant was able to amend the corporation tax returns for the year ended 31 October 2018 and rectify the position. However, the deadline for amending the tax returns for the year ended 31 October 2017 had passed and so the group paid excess corporation tax to HM Revenue & Customs for that year as a result.
18. Mr Sole has accepted that the firm made these errors.
19. Mr Sole has informed ACCA that as principal of the firm, he takes full responsibility for the quality and accuracy of the work carried out by his firm. Mr Sole further stated *"As the firm has grown and the number in our team expanded, I have performed a more strategic role in the practice and sought to develop the skills and responsibilities of my team, whilst also endeavouring to maintain standards. Whilst this has been with the best intentions, it is inevitable that mistakes will happen and I am sure that this is true for all professional practices. In particular, we had many issues with the quality and effectiveness of one member of the team who had for many years been a reliable and valuable member of the team but for personal reasons had begun to let their standards slip. This was not immediately evident but became a growing problem over several months. Although [they were] given every opportunity to make improvements, I had no choice but to terminate [their] employment in September 2019."*
20. The Chair noted the agreed aggravating and mitigating factors as set out in the Consent Order. In particular, the Chair noted that Mr Sole had: admitted the firm made errors; said that the errors were made by a (now former) member of staff, albeit that, as principal, he accepted that he was ultimately responsible and did not identify the errors; the directors of Company B did not lodge a complaint with Mr Sole directly about the error made by the firm and the fact that Company B's Group had paid excess corporation tax as a result. The Chair also took into account Mr Sole's explanation about the growth of his firm and the part played by a previously reliable member of staff whose services had since been dispensed with, thereby reducing the risk of repetition.
21. In all the circumstances, and following ACCA's Guidance on sanctions, the Chair was satisfied that the sanction of severe reprimand was appropriate in

this case and that exclusion would be disproportionate. Mr Sole had admitted serious failings and that he was guilty of misconduct. However, Mr Sole had shown insight into his failings and there had been full admissions to the behaviour. Furthermore, Mr Sole had taken active steps to prevent a recurrence of the conduct.

22. In such circumstances, the Chair was satisfied a severe reprimand would mark the seriousness of the misconduct. Such a sanction would maintain public confidence in the profession by sending a clear message of the importance of fundamental standards of professional conduct.
23. The order for costs for this Consent Order appeared appropriate.
24. Accordingly, the Chair approved the attached Consent Order. In summary:
 - a. Mr Sole shall be severely reprimanded; and
 - b. Mr Sole shall pay costs of £2,513.00 to ACCA.

Mr Andrew Popat CBE
Chair
09 August 2022