

HEARING

ADMISSIONS AND LICENSING COMMITTEE OF THE ASSOCIATION OF CHARTERED CERTIFIED ACCOUNTANTS

REASONS FOR DECISION

In the matter of: Mr Farroukh Zaheer and Zaheer & Co

Heard on: Tuesday, 29 March 2022

Location: Remotely via Microsoft Teams

Committee: HH Graham White (Chair)
Ms Susan Gallone (Accountant)
Mr Geoffrey Baines (Lay)

Legal Adviser: Mr Robin Havard

**Persons present
and capacity:** Ms Michelle Terry (ACCA Case Presenter)
Mr Jonathan Lionel (Hearings Officer)
Mr Farroukh Zaheer (Member)

Summary: Mr Zaheer's practising certificates with audit qualification in UK and Ireland be withdrawn and he should be issued with practising certificates; and

Any future re-application for audit registration by Mr Zaheer, 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 Mr Zaheer has provided an action plan, which ACCA regards as satisfactory, setting out how Mr Zaheer intends to

ACCA



+44 (0)20 7059 5000



info@accaglobal.com



www.accaglobal.com



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

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.

Any future re-application for audit registration by a firm in which Mr Zaheer is 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 Zaheer 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.

1. The Admissions and Licensing Committee convened to consider the appropriate order to make following an unsatisfactory outcome of a seventh audit monitoring review in respect of Zaheer & Co ("the firm"), which is the unincorporated sole practice of ACCA member, Mr Farroukh Zaheer.
2. The hearing was conducted remotely through Microsoft Teams.
3. Ms Terry appeared for ACCA. Mr Zaheer was present for part of the hearing and was unrepresented. Before the Committee had reached a decision, but after he had an opportunity to address the Committee, Mr Zaheer confirmed that he would not be attending the remainder of the hearing. Mr Zaheer was informed of the procedure that would follow but he confirmed that he was content for the hearing to continue in his absence. The Committee concluded that Mr Zaheer had voluntarily absented himself and decided that it was appropriate to continue.
4. The Committee had been provided with, and read, a report (pages 1 to 14) ("the report") and a service bundle (pages 1-12). In the course of the hearing, the

Committee had also been provided with a document containing the current registration details of Mr Zaheer and his firm.

INTRODUCTION

5. Zaheer & Co is the unincorporated practice of ACCA member, Mr F Zaheer FCCA, who is the audit qualified partner, and Mrs N Zaheer who is unqualified. The firm was remotely reviewed between 01 and 03 November 2021. The purpose of this monitoring review was to review the conduct of the firm's audit work and to ensure that Mr Zaheer had maintained a satisfactory standard of audit work, since its previous audit monitoring review of 18 November 2015. 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 in this decision to a Practising Regulation (PR) are to the regulations in Annex 1, Appendix 1 (UK) to the GPRs.
6. The firm only had one audit client, a charity, and this file was inspected. Some serious deficiencies were found in the audit work as set out below.

HISTORY OF MONITORING REVIEWS

7. Prior to the current review, Mr Zaheer had six reviews.

15 MARCH 1995

8. At its first monitoring review on 15 March 1995, on the three files inspected, ACCA found the firm's work appeared to be of a reasonable standard and the firm's procedures to be appropriate to its circumstances and to the nature and size of the firm's audit clients. Some deficiencies were found, and these were included in a report sent to the firm on 03 April 1995. Mr Zaheer acknowledged receipt of this report in a letter dated 19 April 1995.

14 JANUARY 2002

9. At the second review on 14 January 2002, the Compliance Officer found that the firm's work had deteriorated. There were serious deficiencies in the audit work on both audit files inspected which had resulted in audit opinions not being adequately supported by the work performed and recorded. The report was sent to the firm on 19 February 2002 and set out the deficiencies and contained guidance on how the firm might remedy the deficiencies found. There was no indication that Mr Zaheer questioned the findings of the Compliance Officer.

08 MARCH 2005

10. At the third review, on 08 March 2005, the Compliance Officer found that the standard of the firm's audit work had improved to a satisfactory standard. There were some deficiencies, however, and these were included in the report on the visit sent to the firm on 21 April 2005. After the second and third visits the firm was warned that failure to improve and maintain its audit procedures may jeopardise its continuing audit registration. Again, Mr Zaheer did not take issue with the findings of the Compliance Officer.

15 JUNE 2011

11. At the fourth review on 15 June 2011, the Compliance Officer found that the firm had not maintained the improvements to its audit procedures. In fact, the standard of audit work appeared to have significantly deteriorated. 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.
12. In addition, the firm's audit clients were tax and accountancy clients of an unqualified practising accountant. The firm had to a large degree depended on work carried out by the unqualified accountant without properly controlling that work. As a result, on two of the three files examined, the audit opinion was not adequately supported by the work performed and recorded. Mr Zaheer did not dispute the findings of the Compliance Officer. ACCA therefore reported the findings of the review to the Regulatory Assessor.

13. On 21 October 2011, the Regulatory Assessor made a decision pursuant to Authorisation Regulations 6(2)(f) and 6(3)(b) that Mr F Zaheer FCCA and Zaheer & Co should be required to:

i. have all future audit work on three clients, selected by the Practice Monitoring Department, and all other work in respect of reports to any regulatory body, reviewed by a training company before reports were signed, such training company being subject to ACCA approval;

ii. notify ACCA within six weeks of the date of written notification of this decision of the identity of the training company referred to in (i) above;

iii. be subject to an accelerated monitoring visit before 1 November 2013 at a cost to the firm of £900 and £250 for each additional audit qualified principal; and,

iv. note that 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.

14. The Assessor's decision was sent to Mr Zaheer in a letter dated 24 October 2011. In a letter dated 28 November 2011, Mr Zaheer notified ACCA of the training company selected to carry out the 'hot' reviews.

30 OCTOBER 2013

15. The Regulatory Assessor-ordered fifth review took place on 30 October 2013. At the review the Compliance Officer found that the audit work was satisfactory on two of the three audit files inspected, resulting in an overall satisfactory outcome. Therefore, Mr Zaheer was released from the Assessor's order.

16. The report on the review was sent to the firm on 03 December 2013. The Compliance Officer warned the firm in the concluding paragraph of the report that failure to maintain a consistent satisfactory standard of audit work may

jeopardise the firm's continuing audit registration. The firm acknowledged receipt of the report in an email dated 10 January 2014 and provided an action plan detailing the action that the firm intended to take in order to rectify the deficiencies found. Mr Zaheer did not dispute the findings in the report.

18 NOVEMBER 2015

17. At the sixth review, on 18 November 2015, the Compliance Officer found that the audit work was not of a consistent standard. Although the overall outcome of the visit was satisfactory, on one of the three files inspected, the opinion was not adequately supported by the work performed and recorded. The report on the visit set out deficiencies found and was sent to the firm on 03 December 2015. The firm acknowledged receipt of the report and provided an action plan dated 06 January 2016 outlining the action it was taking. Once again, Mr Zaheer did not dispute the Compliance Officer's findings.

SUMMARY OF FINDINGS OF CURRENT REVIEW

01 - 03 NOVEMBER 2021

18. At the seventh review which was carried out remotely between 01 and 03 November 2021, the 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 previous monitoring reviews and its procedures were not adequate to ensure that it conducted all audits in accordance with the International Standards on Auditing (UK) (ISAs). On the file inspected, the audit work was not of a satisfactory standard, as the file did not show that the firm had obtained sufficient audit evidence in key audit areas to support the audit opinion issued.

INTERNATIONAL STANDARD ON QUALITY CONTROL 1 (ISQC 1)

19. International Standard on Quality Control (ISQC 1) requires firms 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 or the engagement partner issue 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. The firm had not documented its procedures in accordance with ISQC 1 (UK).

DETAILED FINDINGS ON AUDIT WORK

20. A summary of the audit file reviewed, and details of the deficiencies found, were set out in an appendix attached to the report. The conclusion that the audit work was "unsatisfactory" was based on the evidence seen on the file during the review and was an assessment of whether or not the audit opinion was supported on the file inspected. The deficiencies highlighted in the appendix were discussed in detail with Mr Zaheer at the end of the monitoring review.
21. Mr Zaheer did not challenge the Compliance Officer's findings.

BREACHES OF THE GLOBAL PRACTISING REGULATIONS

22. The Committee heard submissions from Ms Terry on behalf of ACCA. Ms Terry referred to AR 5(2)(f) and submitted that Mr Zaheer and his firm were guilty of material breaches of the Audit Regulations. She invited the Committee to make an order withdrawing Mr Zaheer's and the firm's audit certificate and to require Mr Zaheer to undertake a test of competence and CPD prior to making any application for a new certificate.
23. The Committee then heard submissions from Mr Zaheer. He confirmed that he did not challenge the findings of the Compliance Officer. However, he stated that, at the end of 2021, he had not renewed his practising certificate ("PC") with audit qualification, nor had he renewed the firm's audit certificate. He had no intention of continuing to undertake audit work. This was the only file on which he and his firm had conducted an audit in 2021. It had proved very difficult during the pandemic and the consequent staff shortages.

24. Ms Terry confirmed that it would be necessary to check that it was correct that Mr Zaheer had not renewed his PC with audit qualification and also the firm's audit certificate.
25. By the time Ms Terry had carried out her enquiries, Mr Zaheer had left the hearing. However, Ms Terry showed the Committee a document which illustrated the current status of both Mr Zaheer and his firm.
26. Based on that information, the Committee found that, contrary to what had been said by Mr Zaheer, on 22 February 2022, his PC with audit qualification was renewed in both the UK and Ireland.
27. However, the Committee also found that the firm's audit certificate had not been renewed.

SUMMARY OF FACTS

28. ACCA submitted, and the Committee found, as follows:
 - i. Mr Zaheer has had seven monitoring reviews;
 - ii. Three out of seven reviews had unsatisfactory outcomes;
 - iii. Although the overall outcome of the fifth and sixth review was satisfactory, the standard of audit work inspected was not of a consistent standard;
 - iv. Mr Zaheer provided action plans following the fifth and sixth reviews; these action plans have not proven effective in Mr Zaheer reaching and sustaining a consistent satisfactory standard of audit work;
 - v. The firm had failed to achieve a satisfactory outcome at the seventh review in spite of the advice and warning given at the previous review;

- vi. There were serious concerns about Mr Zaheer's ability and willingness to maintain a satisfactory standard of audit work despite the advice and warnings given at the previous reviews.
29. The Committee took into account that Mr Zaheer had accepted the deficiencies identified by the Compliance Officer after the monitoring visit in November 2021 and had not challenged the history of monitoring visits outlined above.
30. The Committee considered that the deficiencies identified by the Compliance Officer in November 2021 concerned basic and fundamental aspects of audit work. The Committee was concerned that Mr Zaheer had not improved the standard of his audit work over a period of many years. The Committee had taken account of the guidance to be found at paragraph 9.5 of the Regulatory Board Policy Statement.
31. The Committee had regard to paragraphs 11.3 and 11.4 of the Regulatory Board Policy Statement. It considered whether there was any sufficient, reliable and credible evidence to the effect that Mr Zaheer and his firm were competent to carry out audit work competently in the future. On the basis of its findings, the Committee was not satisfied that Mr Zaheer had demonstrated adequate competence to carry out audit work.
32. In the circumstances, the Committee found that Mr Zaheer and the firm had breached PR13(1) in that they failed to comply with the International Standards on Auditing (UK) in the conduct of audit work. There were serious deficiencies in the planning, control and recording of audit work, and, in the case examined, the audit opinion was not adequately supported by the work performed and recorded.
33. For all of the above reasons, the Committee was satisfied that Mr Zaheer and his firm had committed material breaches of the Audit Regulations under AR (5)(2)(f), and that it was necessary and proportionate to make the following orders.

ORDER

34. The Committee noted that Mr Farroukh Zaheer had renewed his practising certificates with audit qualification. In the circumstances, the Committee made the following order pursuant to Authorisation Regulations 6(16)(a)(ii) and 5(2)(f) that:
- i Mr Zaheer's practising certificates with audit qualification in UK and Ireland be withdrawn and he should be issued with practising certificates; and
 - ii. Any future re-application for audit registration by Mr Zaheer, 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 Mr Zaheer has provided an action plan, which ACCA regards as satisfactory, setting out how Mr Zaheer 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.
35. As for his firm, Zaheer & Co, the Committee noted that the firm's audit certificate had not been renewed.
36. In the circumstances, the Committee made an order pursuant to Authorisation Regulations 6(16)(a)(v) and 5(2)(f) that any future re-application for audit registration by a firm in which Mr Zaheer is 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 Zaheer 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.

PUBLICITY

37. The Committee heard submissions from Ms Terry on behalf of ACCA. It had regard to the SATCAR regulations and to the Guidance on Publicity. The Committee could not identify any reason which would prevent it from ordering that the orders should be publicised in the usual way. The Committee determined that the public interest in publication of its decision and reasons outweighed Mr Zaheer's interests and therefore made no order restricting publicity.

EFFECTIVE DATE

38. In accordance with the guidance at PS13.1, the Committee was satisfied that, in respect of the order to withdraw Mr Zaheer's PC with audit qualification in the UK, and in order to comply with the rules, it was necessary for the Order to take immediate effect.
39. As for the withdrawal of Mr Zaheer's Irish audit qualification, the legislation requires that this will take effect at the expiry of the period allowed under the Appeal Regulations.

HH Graham White
Chair
29 March 2022