

REPORT OF THE REGULATORY ASSESSOR

FOLLOWING AN UNSATISFACTORY OUTCOME TO AN AUDIT MONITORING REVIEW (EIGHTH REVIEW)

The decisions and reasons of the Regulatory Assessor for the case of Mr H J Daniel FCCA and Mr W G Gibbs FCCA and the audit firm in which they are partners Pinnick Lewis LLP referred to me by ACCA on 23 November 2022

Audit qualified principals

Mr H J Daniel FCCA

Mr W G Gibbs FCCA

Firm

Pinnick Lewis LLP

The report to the Regulatory Assessor by the Compliance Officer of ACCA including related correspondence, concerns the above firm's conduct of audit work and continuing audit registration.

Taking account of the content of the Compliance Officer's report and the Regulatory Board Policy Statement and Regulatory Guidance, the Assessor has made an appropriate decision in this case.

Details of members

Full name: Mr H J Daniel FCCA

Registered address: 95 High St
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United Kingdom
HA8 7DB

Membership Number 3783420

Full name: Mr W G Gibbs FCCA

Registered address: 95 High St
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Membership Number 2066740

Firm Number

8001145

1. INTRODUCTION

- 1 Pinnick Lewis LLP (the firm) is the limited liability partnership practice of ACCA members, Mr H J Daniel FCCA and Mr W G Gibbs FCCA .The firm was reviewed for the eighth time between 09 and 12 May 2022. The review was carried out remotely.

The review had been ordered by the Admissions and Licensing Committee following the unsatisfactory outcome to the firm's review on 08 January 2019. The purpose of the eighth review was to inspect a sample of completed audit files to confirm that the firm had implemented the action plan it had committed to in response to the findings of the previous unsatisfactory monitoring review and to monitor compliance with The Chartered Certified Accountants' Global Practising Regulations 2003 (GPRs).

2. BASIS AND REASONS FOR DECISION

I have considered the Compliance Officer's report, including ACCA's recommendation, together with related correspondence and evidence, concerning the firm's conduct of audit work.

In reaching my decision, I have made the following findings of fact.

- a) The firm and its principals have had eight monitoring reviews.
- b) The partnership, Pinnick Lewis, had monitoring visits in June 1993, (the first visit), October 1999, (the second visit). July 2003, (the third visit) and March 2008 (the fourth visit).
- c) At all four of these visits, the partnership had four partners, who included Mr Daniel and Mr Gibbs.
- d) The outcomes of the first, third and fourth visits were satisfactory, although some deficiencies were identified and were included in subsequent reports to the partnership.
- e) At the second visit, in October 1999, the Compliance Officer identified serious deficiencies in audit work, which resulted in the audit opinion in five of the seven audit files inspected not being adequately supported by the work performed and recorded. A report was sent to the firm on 03 December 1999 setting out these deficiencies, and the firm responded on 10 December 1999, setting out the improvements it would make to its audit work.
- f) At the fifth visit, on 24 and 25 March 2014, there were three partners, who included Mr Daniel

and Mr Gibbs. The Compliance Officer identified serious deficiencies in audit work, which resulted in the audit opinion in five of the six audit files inspected not being adequately supported by the work performed and recorded. A report was sent to the firm on 06 May 2014 setting out these deficiencies, and the firm responded on 27 May 2014, setting out the improvements it would make to its audit work

- g) At the sixth visit, on 21 and 22 March 2016, the Compliance Officer identified serious deficiencies in audit work, which resulted in the audit opinion in two of the five audit files inspected not being adequately supported by the work performed and recorded. A report was sent to the firm on 05 May 2016 setting out these deficiencies. The firm was requested to provide an action plan detailing how it would improve the standard of its audit work. The firm acknowledged the report on 10 May 2016. It subsequently provided an action plan on 16 and 17 June 2016.
- h) In a letter dated 25 July 2016, the Compliance Officer concluded that the action plan provided on 16 and 17 June 2016 was deficient in some areas, and provided additional guidance. The Compliance Officer emphasised the importance of implementing the action plan and taking into account all the points she had made in her letter to ensure the firm achieved a satisfactory standard of audit work on all files at the next monitoring visit.
- i) In light of the weak action plan submitted on 16 and 17 June 2016, the subsequent follow up visit was brought forward by two years.
- j) At the seventh review of the partnership, on 08 January 2019, only Mr Daniel and Mr Gibbs remained as partners. The Compliance Officer found that the firm did not have effective audit procedures in place. The firm was using a standard audit programme on all audits but was not tailoring this to ensure it met the audit needs of each client. There were serious deficiencies in audit work and there was a general lack of compliance with the ISAs, which resulted in the audit opinion in three of the four audit files inspected not being adequately supported by the work performed and recorded.
- k) ACCA therefore reported the findings of the seventh review to The Admissions and Licensing Committee.
- l) On 07 January 2020, The Admissions and Licensing Committee made an order pursuant to Authorisation Regulation 6 (16)(a)(iii) that:-

The auditing certificates of Mr Daniel and Mr Gibbs and that of the firm be suspended until they have:-

- (i) Provided an action plan which ACCA regards as satisfactory, setting out how they intend to prevent a recurrence of previous deficiencies and
 - (ii) Implemented the action plan to the satisfaction of ACCA.
- m) Following the making of that order, the firm submitted an action plan on 20 February 2020. On 27 February, ACCA informed the firm that the action plan was satisfactory, and the suspension of the auditing certificates of Mr Daniel and Mr Gibbs and that of the firm was lifted.
- n) At the eighth review, conducted remotely between 09 and 12 May 2022, the firm had three limited company clients, the files of which were inspected and some serious deficiencies were found in the performing and recording of audit work in key audit areas, details of which were set out in detail in the documents supplied to me as Regulatory Assessor.
- o) The firm had failed to implement the action plan it had committed to as a result of the previous review and its procedures were not adequate to ensure that it conducts all audits in accordance with International standards on Auditing (UK). As a result, on the files examined, the audit opinion was not adequately supported by the work performed and recorded.
- p) The deficiencies identified on the eighth review were discussed in detail with the principals of the firm on 22 May 2022.
- q) I have examined the detailed findings of the eighth review as supplied to me in the documentation, and find that these appear to demonstrate that the files were correctly assessed as 'unsatisfactory'.
- r) Although the firm had a documented system of quality control policies and procedures, these were not always effective, particularly in the areas of engagement performance and monitoring, in ensuring the firm conducted its audit work in compliance with International Standards on Auditing (UK). Examples of other areas of weakness were detailed in the papers provided to me as Regulatory Assessor.
- s) Mr Daniel and Mr Gibbs and the firm have breached PR(13(1) in that they have failed to comply with the International Standards on Auditing (UK), in the conduct of their audit work. There were deficiencies in the planning, control and recording of audit work and in all the examined, the audit opinions were not adequately supported by the work performed and recorded.

- t) The above matters, give rise to serious concerns about the ability of Mr Daniel and Mr Gibbs and their willingness to maintain a satisfactory standard of work despite the advice and warnings given at previous reviews.
- u) Mr Daniel and Mr Gibbs have relinquished their practising certificates with audit qualification and their firm's audit certificate and have been issued with general practising certificates.

3. THE DECISION

I note, as stated above, that Mr Daniel and Mr Gibbs have relinquished their practising certificates with audit qualification and their firm's audit certificate.

On the basis of the above I have decided, under my powers in Authorisation Regulations 7(2)(f), and pursuant to Authorisation Regulations 7(3)(b) and 7(4) that any future re-application for audit registration by Mr Daniel and Mr Gibbs or a firm in which they are principals, must be referred to the Admissions and Licensing Committee, which will not consider the application until they have submitted an action plan, which ACCA regards as satisfactory, setting out how Mr Daniel and Mr Gibbs intend to prevent a recurrence of the previous deficiencies, and, after the date of this decision, have attended a practical audit course, approved by ACCA.

4. PUBLICITY

Authorisation Regulation 7(6) indicates that all conditions relating to the certificates of Mr Daniel and Mr Gibbs and their firm made under Regulation 7(2) may be published as soon as practicable, subject to any directions given by me.

I am not aware of any submissions made by Mr Daniel or Mr Gibbs regarding publicity of any decision I may make pursuant to Authorisation Regulation 7(2). I do not find that there are exceptional circumstances in this case that would justify non-publication of my decision to impose conditions and/or the omission of the names of Mr Daniel and Mr Gibbs or their firm from that publicity.

I therefore direct pursuant to Authorisation Regulation 7(6)(a), that a news release be issued to ACCA's website referring to Mr Daniel and Mr Gibbs and their firm by name.

Peter Brown FCCA,DChA
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Regulatory Assessor
25 November 2022