

HEARING

ADMISSIONS AND LICENSING COMMITTEE OF THE ASSOCIATION OF CHARTERED CERTIFIED ACCOUNTANTS

REASONS FOR THE DECISION

In the matter of:	Mr Vasos George Georgiou FCCA
Heard on:	Thursday, 01 September 2022
Location:	Held remotely by video conference
Committee:	Mr Michael Cann (Chair) Mr Martin Davis (Accountant) Ms Rachel O’Connell (Lay)
Legal Adviser:	Mr Alastair McFarlane
Persons present and capacity:	Ms Ariane Tadayyon (ACCA Case Presenter) Miss Nyero Abboh (Hearings Officer)
Summary:	Audit certificate withdrawn with immediate effect

1. The Committee had before it a bundle of papers numbered pages (1 – 34), a tabled additional bundle, numbered pages (1 – 25), the Regulatory Board Policy Statement and Regulatory Guidance, numbered pages (1 – 50) and a service bundle numbered pages (1 – 14).

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2. ACCA was represented by Ms Tadayyon. Mr Georgiou attended and was not represented.

SERVICE

3. Having considered the service bundle on this case, the Committee was satisfied that the notice of the hearing was served on Mr Georgiou in accordance with the Regulations.

BACKGROUND

4. Alex Johnson Ltd (“the firm”) is the incorporated practice of ACCA member, Mr V G Georgiou FCCA. The firm was remotely reviewed between 28 February to 03 March 2022. The purpose of this review 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). References to a Practising Regulation (PR) are to the regulations in Annex 1, Appendix 1 (UK) to the GPRs. The firm has four limited company audit clients. Three of the audit files were selected for inspection. Some serious deficiencies were found in the audit work as set out below.

HISTORY OF MONITORING REVIEWS

5. Prior to the current review, Mr Georgiou had six monitoring reviews. The first four reviews were carried out to his practice, Anthony Lawson Limited. His fifth and sixth reviews were to his practice, Alex Johnson Ltd. At his first, second and third reviews on 10 February 1998, 11 May 2001 and 17 September 2003 respectively, the Compliance Officer informed the firm of serious deficiencies in audit work which had resulted in audit opinions not being adequately supported by the work performed and recorded. Following the third unsatisfactory review the findings of the review were referred to the Admissions and Licensing Committee (“A&L Committee”).
6. At its meeting on 30 January 2004, the A&L Committee made an order that Mr Georgiou and the firm be required to:

- i. Have all future audit work and all and all other work in respect of reports to any regulatory body reviewed by a registered auditor from another firm or by a training company before reports are signed, such registered auditor or 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 registered auditor or training company referred to in i above;
 - iii. Be subject to an accelerated monitoring visit before 31 December 2005 at a cost to the firm of £700 and £250 for each additional audit qualified principal; and
 - 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.
7. At the fourth review, on 23 March 2006, the Compliance Officer found that the firm had improved its audit procedures. Although some deficiencies remained in the audit work, overall, the outcome was satisfactory. The report was sent to the firm on 20 April 2006 releasing the firm from the terms of the A&L Committee's order on audit work. The Compliance Officer warned the firm that failure to maintain a consistent satisfactory standard of audit work may jeopardise the firm's continuing audit registration. The firm confirmed receipt of the report on 05 May 2006.
8. At the fifth review, on 30 March 2010, the Compliance Officer found that while the outcome of the review on the conduct of audit work was satisfactory, there were some weaknesses in the performance and recording of the work. The report was sent to Mr Georgiou on 20 April 2010. The firm confirmed receipt of the report on 11 May 2010.
9. At the sixth monitoring review, on 22 February 2016, the firm did not hold any audit appointments, so no audit work was reviewed. The work on the firm's solicitor client file was found to be of a satisfactory standard, however, some deficiencies were found in the performance and recording of the work. The

report was sent to the firm on 15 March 2016.

SUMMARY OF FINDINGS OF CURRENT REVIEW

10. At the seventh and current review, which was carried out remotely between 28 February and 03 March 2022, the Compliance Officer found that the firm had not maintained adequate audit procedures. The firm was using a standard audit programme, but it was not tailoring this to ensure that it met the needs of the audit clients. On all three files, there were serious deficiencies in the work recorded in the key areas resulting in the audit opinion not being adequately supported. As a result, on the files examined, the audit opinion was not adequately supported by the work performed and recorded.

DETAILED FINDINGS ON AUDIT WORK

11. A summary of the audit files reviewed, and details of the deficiencies found, were set out in an appendix to the Report. The description “unsatisfactory” is based on the evidence seen on the files during the review and is an assessment of whether or not the audit opinion was supported on each file inspected. The deficiencies highlighted in the appendix were discussed in detail with Mr Georgiou at the end of the monitoring review.

APPARENT BREACHES OF THE GLOBAL PRACTISING REGULATIONS

12. Mr Georgiou and the firm have breached PR 13(1) in that they failed to comply with the International Standards on Auditing (UK) in the conduct of audit work. There were deficiencies in the planning, control and recording of audit work, and in all the three cases examined the audit opinions were not adequately supported by the work performed and recorded.

REGULATORY POWERS AND RECOMMENDED ACTION

13. The Authorisation Regulations (ARs) set out the Committee’s powers. AR 5(2) provides that the Committee may, if in its absolute discretion it thinks fit, withdraw, suspend or impose conditions upon a certificate on seven different grounds. ACCA submitted that AR 5(2)(f) appears to be relevant in this case. It provides that the Committee may withdraw, suspend or impose conditions if:

“It is notified or becomes aware that a holder of a certificate or any of its partners, members, directors or controllers has committed a material breach of any of these regulations or any other rules and regulations or codes of practice to which they are subject (or were subject prior to 1 January 2014) in the carrying on of the activities to which the certificate relates or authorises;”

14. AR 5(3) further provides that, in determining whether to exercise its powers under AR 5(2), the Committee shall have regard to such matters as it considers relevant.
15. ACCA referred the standard of Mr Georgiou’s audit work for the Committee’s consideration following the approach set out in PS9.2(iii) of the Regulatory Board Policy Statement (‘PS’) and paragraph 6.3.2 of the Regulatory Guidance, based on the following relevant facts:
 - i. Mr Georgiou has had seven monitoring reviews;
 - ii. Four out of seven reviews had unsatisfactory outcomes;
 - iii. There was improvement to the standard of audit work at the fourth and fifth reviews although there were some weaknesses in the performance and recording of the work;
 - iv. The firm did not have any audit appointments at the sixth review;
 - v. The recording of the audit work has deteriorated significantly at the seventh review; and
 - vi. The principal has failed to achieve a satisfactory outcome despite the advice and warning given at the previous reviews and by the Committee.

ACCA’s RECOMMENDATION

16. In light of the above facts, ACCA considers that permitting Mr Georgiou to retain his audit certificates would not be in the public interest and contrary to the

presumption of competence explained in PS3. ACCA therefore recommends that the Committee withdraws Mr Georgiou's audit qualification and his firm's auditing certificate and imposes conditions on Mr Georgiou requiring him to pass a test of competence and attend a suitable practical CPD course before making any future reapplication for the audit certificates. Guideline Order B7 in section 8 of the Regulatory Guidance is, in ACCA's view, appropriate to the circumstances of this case.

MR GEORGIU'S SUBMISSIONS

17. The Committee had regard to Mr Georgiou's letter of 29 July 2022 to the Compliance Officer and his emails of 10 August 2022 to ACCA. In the letter, he stated:

"I will plead with the ACCA to allow me to carry on Auditing with the main points highlighted below, please share with the Committee:

- 1. The major problem I had was going back to 2004, that is over 18 years ago.*
- 2. The next 3 visits in 2006, 2010 and 2016, the files were satisfactory. Even though the compliance officer is saying there were some deficiencies, I don't know of any firm where the ACCA did not find something. No visit passes with 100% score.*
- 3. At the last visit of the 28.02.2022 I detailed the problems I had with the Pandemic resulting in a lot more work than we were used to, and the Compliance officer insisting that he visits me at my busiest time of the year. I explained in the correspondence that on the 28.02.2022 I was filing tax returns until the deadline a few minutes to midnight. A postponement of 1 month would have enabled me to review the audit files and put them in a better order for the visit.*
- 4. As stated in attached responses to the JMU, I have since taken major steps to improve my auditing skills*
- 5. The review been done remotely led to a problem of not uploading a whole relevant section of one of my files. I was not asked for this at the online visit during the final telephone call, even though it was obviously omitted in error.*
- 6. There was no interaction between the 28.02.2022 the start of the visit and the final 40 minute[sic] telephone conversation on 03.03.2022 in the afternoon.*
- 7. If my Audit Certificate is terminated on 01.09.2022 I will not only lose audit clients but also I may lose some other clients when they hear about it.*

8. This will affect me financially. I have a mortgage and need to carry on working.

9. I am hoping that I will be allowed to carry on auditing and have hot reviews carried out by a Training company, which will not only help me improve but ensure that all files are up to standard before the audit reports are signed. This can be for an extended period than the normal 1 or 2 years.

10. The Audits I carry out have no public interest. They are for very small companies.

11. I have never had a compliant [sic] from any client or the ACCA in all my working life. (sic)

18. In addition, Mr Georgiou gave oral evidence to the Committee. He referred to the unsatisfactory monitoring visit outcome in 2003 as being nearly 20 years ago and having satisfactory outcomes in 2006 and 2010 and satisfactory solicitor's accounts in 2016. He accepted the outcome of the 2022 monitoring visit and that it was unsatisfactory but referred to the difficulties of the review having been undertaken remotely. He submitted that the shortcomings were due to being extremely busy at the time with the pressure of tax returns and also the significant and unique impact of the pandemic. He indicated that he had undertaken continuing training in various auditing courses since March 2022 and that he had been in contact with a training company and sought to offer to undergo reviews in relation to every audit and it takes for the next five years when he intends to sell his business. He indicated that he wants to be one of the "top auditors". When questioned by the Committee he submitted that the circumstances relating to the failings were exceptional and that his action plan for improvement concerned hot reviews, which in view of his age and length of career and future sale of his business were exceptionally justified whilst they were now not ACCA's approved route.

DECISION ON APPLICATION AND REASONS

19. The Committee had regard to the submissions made by Ms Tadayyon on behalf of ACCA and those by Mr Georgiou in his oral evidence to the Committee and in his written correspondence.
20. The Committee accepted the Legal Adviser's advice. The Committee had regard to the guidance contained in ACCA's "Guidance for admissions and licensing hearings" (January 2021) and the "Regulatory Board Policy Statement and

Regulatory Guidance - Audit Monitoring and ACCA's Approach to Non-Compliance with Auditing Standards" (November 2019) and the Statutory Auditors and Third Country Auditors Regulations.

21. The Committee carefully considered all the material before it. It was satisfied that Mr Georgiou and the firm have breached PR 13(1) in that they failed to comply with the International Standards on Auditing (UK) in the conduct of audit work. The Committee reminded itself that it had to take a proportionate approach balancing safeguarding the public with Mr Georgiou's own interests. The Committee did place less weight on the 2003 unsatisfactory outcome, given its age and that subsequently Mr Georgiou had satisfactory monitoring visits. Nonetheless, the Committee was cognisant of the fact that an unsatisfactory outcome happened again this year, despite Mr Georgiou's history and it considered that the failings were wide-ranging and serious.
22. The Committee first considered whether the reasons advanced by Mr Georgiou could amount to exceptional reasons for the failures and for not following ACCA's recommendation to withdraw the audit certificate. The Committee did not consider pressure of work to be an "exceptional reason". It accepted Ms Tadayyon's submission that auditors have a duty to ensure that the files are always in good order. Whilst it was more sympathetic with the impact of the pandemic, the Committee noted that auditors were advised in March 2020 by the Financial Reporting Council that "even in challenging times" audits should fully comply with audit standards. Further it considered Mr Georgiou's evidence lacked detail as to why and how and when this affected his ability to produce satisfactory audits. The Committee was not persuaded on the information before it, particularly as ACCA had given three months warning of the monitoring visit, that any of the submissions advanced by Mr Georgiou amounted to exceptional reasons.
23. Further, and in any event, the Committee was less than impressed with Mr Georgiou's understanding and insight into the importance of the public interest in relation to audit work and in particular his reference to his clients only being small firms. Further, bearing in mind the guidance, the Committee was not persuaded that there were exceptional reasons to depart from ACCA's current policy of not imposing hot reviews. The Committee considered that Mr Georgiou had not produced a reasoned and detailed action plan to address the identified

failings. It was not persuaded that an order of conditions or an order of suspension was sufficient in the circumstances to protect the public. The Committee was therefore satisfied that the appropriate and proportionate order was to withdraw Mr Georgiou's practising certificate with audit qualification be withdrawn and he be issued with a practising certificate.

ORDER

24. The Committee made an order pursuant to Authorisation Regulation 6(16) that:
- i. Mr Georgiou's practising certificate with audit qualification and the firm's auditing certificate be withdrawn and he be issued with a practising certificate.
 - ii. Any future re-application for audit registration by Mr Georgiou, 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 he has provided an action plan, which ACCA regards as satisfactory, setting out how Mr Georgiou 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.

EFFECTIVE DATE

25. The Committee determined that it was in the public interest given the seriousness of the failings and the issue of public protection to direct that the order has immediate effect.

PUBLICITY

26. The Committee noted that AR 6(14)(c)(i) indicates that all orders, suspensions and conditions relating to the certificate of the relevant person made by the Committee pursuant to AR 6(16)(a)(ii) to (iv) shall be published, together with the reasons for the Committee's decisions and the name of the relevant person, as soon as practicable. The Committee found that none of the grounds in Regulation 6 (3) of the Statutory Auditors and Third Country Auditors

Regulations apply and directs publication.

Michael Cann

Chair

01 September 2022