

The decision and reasons of the Regulatory Assessor for the case of Mr David M Lacey FCCA and David Lacey & Co referred to him by ACCA on 14 April 2023.

Introduction

1. David Lacey & Co is the *unincorporated* sole practice of ACCA member, Mr David M Lacey FCCA. I have considered a report, including ACCA's recommendation, together with related correspondence, concerning Mr Lacey's conduct of audit work.

Basis and reasons for the decision

2. I have considered all of the evidence in the booklet sent to me, *including related correspondence and the action plan prepared and submitted by the firm since the monitoring visit.*
3. In reaching my decision, I have made the following findings of fact:
 - a Mr Lacey and firms associated with him have had five audit quality monitoring reviews;
 - b At its first monitoring review held during March 2006, 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. The report was sent to the firm in April 2006. The firm responded on 12 May 2006 detailing the actions that it was taking to improve its audit work;
 - c At the second monitoring review held during March 2010, the firm's audit work had improved and was deemed satisfactory although several deficiencies remained in the audit evidence recorded. The report detailing the deficiencies was issued in April 2010 and the firm responded on 09 July 2010 detailing the actions it was taking to further improve the recording of its audit work;
 - d At the third monitoring review held during August 2013, as well as his sole practice, Mr Lacey was the audit individual in a company, Morrell Middleton Auditors Limited. The Compliance Officer found that the firms' audit work was not of a satisfactory standard and that there were serious deficiencies which had resulted in audit opinions not being adequately supported by the work performed and recorded. The Compliance Officer referred the matter to the Regulatory

Assessor. In the meantime, Mr Lacey's association with the limited company ceased as another director had obtained an auditing certificate. Mr Lacey's sole practice had only one audit client. On 27 November 2013, the Regulatory Assessor decided pursuant to Authorisation Regulations 6(2)(f) and 6(3)(a) that no regulatory action was necessary;

- e At its fourth monitoring review held during September 2015, the Compliance Officer found that the firm had improved the standard of its audit work and its only audit file was found to be of a satisfactory standard although some deficiencies remained in the performance and recording of the audit work. The report was sent to the firm in October 2015. Mr Lacey provided an action plan on 12 November 2015 detailing the proposed improvements to his audit work which was accepted by the Compliance Officer;
- f At the fifth review, which was carried out remotely during December 2022, the Compliance Officer found that the firm's audit work had deteriorated. The firm had failed to implement the action plan it had committed to in response to the findings of the previous monitoring review and its procedures were not adequate to ensure that it conducts all audits in accordance with the International Standards on Auditing (UK) (ISAs). The firm was using a standard audit programme on the audit, but it was not tailoring this appropriately to ensure that it met the needs of the audit client. As a result, on the file examined the audit opinion was not adequately supported by the work performed and recorded.
- g The firm has subsequently relinquished its firm's auditing certificate and Mr Lacey has relinquished his practising certificate with audit qualification and has been issued with a general practising certificate.

The decision

4. I note that Mr Lacey has relinquished his practising certificate with audit qualification and his firm's auditing certificate. On the basis of the above I have decided pursuant to Authorisation Regulations 7(3)(b) and 7(4) that any future re-application for audit registration by Mr Lacey, or by a firm in which he is a principal or shareholder, 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 Lacey intends to prevent a recurrence of the previous deficiencies

and attended a practical audit course, approved by ACCA and, following the date of this decision, passed paper P7 (or the equivalent advanced level audit paper) of ACCA's professional qualification.

Publicity

5. Authorisation Regulation 7(6) indicates that all conditions relating to the certificates of Mr Lacey and his firm made under Regulation 7(2) may be published as soon as practicable, subject to any directions given by me.
6. I have considered the submissions, if any, made by Mr Lacey regarding publicity of any decision I may make pursuant to Authorisation Regulation 7(2).
7. I do not find that there are exceptional circumstances in this case that would justify non-publication of my decision to impose conditions or the omission of the names of Mr Lacey and his firm from that publicity.
8. I therefore direct pursuant to Authorisation Regulation 7(6)(a), that a news release be issued to ACCA's website referring to Mr Lacey and his firm by name.

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David Sloggett FCCA
Regulatory Assessor
13 June 2023