

HEARING

ADMISSIONS AND LICENSING COMMITTEE OF THE ASSOCIATION OF CHARTERED CERTIFIED ACCOUNTANTS

REASONS FOR DECISION

In the matter of: Mr Jason Seagrave and the firm Seagrave French LLP

Heard on: Monday 9 October 2023

Location: Remotely via Microsoft Teams

Committee: Ms Kathryn Douglas (Chair)
Mr George Wood (Accountant)
Ms Victoria Smith (Lay)

Legal Adviser: Mr Sanjay Lal

**Persons present
and capacity:** Ms Michelle Terry (ACCA Case Presenter)
Ms Lauren Clayton (Hearings Officer)
Mr Jason Seagrave (Member)

Summary: Mr Seagrave's auditing qualification and his firm's auditing certificate be withdrawn with immediate effect and conditions upon reapplication imposed.

ACCA



+44 (0)20 7059 5000



info@accaglobal.com



www.accaglobal.com



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

PRELIMINARY APPLICATIONS/SERVICE OF PAPERS

1. The Committee had before it a Main Bundle pages 1-29, a Service Bundle pages 1-16, an Additional Bundles pages 1-7 and a Correspondence Bundle pages 1-4.
2. Ms Terry applied for matters relating to the private life of Mr Seagrave to be heard in private. This was not opposed by Mr Seagrave.
3. The Committee acceded to the above application; it determined that matters relating to the private life of Mr Seagrave be heard in private under the provisions of Authorisation Regulations (AR) 6(12)(a)(ii). The Committee was satisfied that any prejudice to Mr Seagrave outweighed the public interest in having those parts of the hearing heard in public.

BRIEF BACKGROUND

4. The Committee was informed by Ms Terry that Seagrave French LLP is the partnership of ACCA member, Mr J Seagrave FCCA and Mr P French. The firm was reviewed for a second time between 3 April 2023 and 27 April 2023. The purpose of this second review was to follow up the firm's previous monitoring review, which took place on 29 November 2017, the outcome of which on the conduct of audit work was unsatisfactory. 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).
5. Ms Terry submitted that the firm has fourteen audit clients. Three of the audit files were selected for inspection. Some significant deficiencies were found in the audit work. Ms Terry asked the Committee to note that at the second review which was completed remotely between 3 and 27 April 2023, the Compliance Officer found that the firm had made little effective improvement to its procedures.
6. Ms Terry submitted that the firm had failed to implement the action plan it had committed to in response to the findings of the previous monitoring visit and its

procedures were not adequate to ensure that it conducts all audits in accordance with the International Standards on Auditing (UK) (ISAs). She stated that other than the planning and completion sections, the firm had not used an audit programme to direct its audit work. In some sections the firm had relied on analytical review procedures and had not carried out any audit testing. As a result, on all the files examined the audit opinion was not adequately supported by the work performed and recorded.

7. Ms Terry submitted that the firm had not put in place adequate policies and procedures designed to provide it with reasonable assurance that engagements were performed in accordance with professional standards and regulatory and legal requirements, and that the firm or the engagement partner issued reports that were appropriate in the circumstances, as reflected in the findings of the audit file inspections.
8. Ms Terry submitted that Mr Seagrave and the firm had 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. She submitted that the overall outcome was deemed to be “unsatisfactory.” She said that ACCA had very real concerns about the competency of Mr Seagrave to conduct audit work.
9. Ms Terry referred to the relevant standards by which to judge Mr Seagrave’s audit work for the Committee’s consideration. This follows the approach set out in PS9.4 of the Regulatory Board Policy Statement (‘PS’) and paragraphs 6.3.3 and 6.3.4 of the Regulatory Guidance. Ms Terry submitted that the Second Review showed that:
 - i Mr Seagrave and the firm have had two monitoring reviews.
 - ii Both reviews had unsatisfactory outcomes.
 - iii There was little effective improvement to the firm’s audit work following the first review.

- iv Mr Seagrave provided an action plan following the first review which has not proven effective in his reaching and sustaining a satisfactory standard of audit work.
 - v The firm has failed to achieve a satisfactory outcome at a second review in spite of the advice and warning given at the previous review.
10. Ms Terry submitted that permitting Mr Seagrave to retain his audit certificates would not be in the public interest and contrary to the presumption of competence explained in PS3.
 11. Ms Terry submitted that the Committee should withdraw Mr Seagrave's audit qualification and his firm's auditing certificate and impose conditions on Mr Seagrave requiring him to pass a test of competence and attend a suitable practical CPD course before making any future reapplication for audit work.
 12. Ms Terry submitted that in the absence of sufficient, reliable and credible evidence to the contrary, the Committee should on the balance of probabilities rely on the findings set out in ACCA's report as establishing non-compliance with the requirements of auditing standards and determine the appropriate course of action in accordance with the PS and Regulatory Guidance.
 13. Ms Terry reminded the Committee that PS9.6 and paragraphs 7.2.2 and 7.2.3 of the Regulatory Guidance provide that, unless the Committee is satisfied that there are clear exceptional reasons for not doing so, it will normally follow PS9.4 and ACCA's recommendation and withdraw the audit certificates, with conditions imposed on future reapplication.
 14. Ms Terry reminded the Committee that Mr Seagrave's response to the Second Monitoring Review was not accepted by the Compliance Officer. She submitted that the standard of work still fell below the required standard and this was notwithstanding any suggestion made by Mr Seagrave about the standard of audit work carried out between 2018-2021.
 15. Mr Seagrave gave oral evidence to the Committee. Mr Seagrave relied on his "Written Statement" sent via email on 6 October 2023. He highlighted that prior to the 2017 inspection he had always had satisfactory audit reviews. The 2017

review was a huge disappointment to him and he believed that audit performance had improved

16. Mr Seagrave highlighted significant mitigating circumstances that meant that the work carried out, which was reviewed, was carried out under extremely difficult circumstances. He stated that Seagrave French is a very small team, and the audits are carried out by the audit manager, Person A who reported directly to him.

IN PRIVATE

17. [Private]

18. [Private]

19. Mr Seagrave stated that following the disappointing result of the recent review, the firm realised that this situation could not endure, and regardless of the outcome of the Authorisation Committee, Person A would be managed out of the business. If the audit licence was to be retained, another individual had been identified to join the firm and act as the audit senior. This individual would provide a much better audit senior service, and there would not be any personal issues that would prevent good service.

20. In addition, Mr Seagrave stated that the firm subscribed to an additional training provider and would prepare hot and cold file reviews to help bring the audit work up to the necessary standard. Mr Seagrave added that he was not an incompetent auditor.

21. Under cross examination, Mr Seagrave stated he joined the firm in 2015 and he had trained scores of people in audit work. He said when he joined the firm it was quite small and Person A was an Audit Manager. Mr Seagrave would do the planning for the audit and Person A would do the "field work". Mr Seagrave said he had created an action plan in 2018 which he maintained he implemented and that improvements were made in the intervening years but it had not achieved that objective in the year 2022. He accepted he had not raised his health matters with the Compliance Officer. He pointed out that there was no review within 3 years of the first review because of the Covid-19 Pandemic but maintained that the action plan in the intervening years (2018-2021) had been effective. He accepted he had not provided evidence of this.

22. In response to Committee questions, Mr Seagrave indicated Person A would be leaving the firm before the end of the year and the terms of a compromise agreement had been agreed although not signed.
23. Mr Seagrave submitted that he was being judged in respect of his audit work during an intolerable time in his personal life.

DECISION AND REASONS

24. The Committee accepted the advice from the Legal Adviser. The panel were reminded that the burden of proving matters rests on the ACCA and the burden is the civil standard of the balance of probabilities.
25. The Committee noted the relevant provisions of the Authorisation Regulations (AR) which set out the Committee's powers in a case such as this. 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. The AR's provide 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;" 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.
26. Having adopted the above approach, the Committee found Mr Seagrave and the firm have had two monitoring reviews and that both reviews had unsatisfactory outcomes. The Committee noted that there was no evidence provided of effective improvement in the firm's audit work following the first review. The Committee was satisfied that despite Mr Seagrave providing an action plan following the first review this had not proven effective in his reaching and sustaining a satisfactory standard of audit work. The Committee was satisfied the firm has failed to achieve a satisfactory outcome at a second review in spite of the advice and warning given at the previous review. The

Committee acknowledged the difficult personal circumstances existing in 2021-22 but these matters were not a satisfactory explanation for the adverse outcome to the review in 2023 and did not satisfy the Committee that future risk to the public was reduced.

27. The primary focus of the Committee is the public interest and this includes both protecting those who access audit services as well as the maintenance of proper professional standards of competence. The Committee was satisfied on the balance of probabilities that the findings set out in ACCA's report as establishing non-compliance with the requirements of relevant auditing standards have been made out. In the absence of exceptional circumstances, the only appropriate and proportionate outcome was to withdraw the audit certificates, with conditions imposed on future reapplication.
28. The Committee therefore made an order pursuant to Authorisation Regulations 6(16)(a)(ii) and 5(2)(f) that:
 - i Mr Seagrave's practising certificate with audit qualification and the firm's auditing certificate be withdrawn and they be issued with a practising certificate; and
 - ii Any future re-application for audit registration by Mr Seagrave, 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 Seagrave 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

29. The Committee determined that the above order take place with immediate effect. Anything else would be inconsistent with the Committee's finding that Mr Seagrave and the firm have been deemed not competent to carry out audit work.

PUBLICITY

30. The Committee noted the submissions made by Ms Terry including those concerning the Statutory Auditors and Third Country Auditors Regulations 2016, which were not opposed by Mr Seagrave. 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. Taking account of its substantive decision and the Regulatory Board Policy Statement and Regulatory Guidance, the Committee determined that the outcome of this hearing be published in the usual way but for the matters that relate solely to Mr Seagrave's private life.

Ms Kathryn Douglas
Chair
9 October 2023