

HEARING

ADMISSIONS AND LICENSING COMMITTEE OF THE ASSOCIATION OF CHARTERED CERTIFIED ACCOUNTANTS

REASONS FOR DECISION

- In the matter of:** Mr Vinodkumar Valand & Avin Accountants Limited
- Heard on:** Thursday 09 March 2023 and Tuesday and Wednesday 12 & 13 September 2023
- Location:** Remotely via Microsoft Teams
- Committee:** Mr Neil Dalton (Chair)
Ms Fiona MacNamara (Accountant)
Mr Damian Kearney (Lay)
- Legal Adviser:** Mr David Mason (on 09 March 2023) and
Mr Robin Havard (on 12 & 13 September 2023)
- Persons present
and capacity:** Ms Michelle Terry (ACCA Case Presenter)
Ms Anna Packowska (Hearings Officer) on 09 March 2023
and Ms Geraldine Murray (Hearings Officer) on 12 & 13
September 2023
Mr Vinodkumar Valand (Member)
Mr Mike Marcus (assisting Mr Valand)

1. The Admissions and Licensing Committee convened to consider the appropriate order to make following an unsatisfactory outcome of a third audit monitoring review in respect of Avin Accountants Limited (“the firm”), which is the sole incorporated practice of ACCA member, Mr Vinodkumar Valand FCCA.

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2. The hearing was conducted remotely through Microsoft Teams.
3. Ms Terry appeared for ACCA. Mr Valand was present and, whilst unrepresented, was assisted by Mr Mike Marcus.

PROCEDURAL HISTORY

4. In advance of the hearing on 09 March 2023, the Committee had been provided with, and read: a report and bundle (pages 1 to 17) ("the report"); an Additional bundle (pages 1 to 20); a Tabled Additional (2) bundle (pages 1 to 246); a Tabled Additional (3) bundle (pages 1 to 21); an email dated 23 November 2022 from ACCA to Mr Valand (page 1), and a Service bundle (pages 1 to 13).
5. On 09 March 2023, the hearing was adjourned part-heard. The Committee had noted the documents relating to the adjournment, namely: a letter from ACCA to Mr Valand dated 15 March 2023 (page 1); an Adjournment bundle (pages 1 to 7); an Adjournment decision with reasons dated 07 August 2023 (pages 1 to 4), and a letter from ACCA to Mr Valand dated 08 August 2023.
6. Prior to the recommencement of the hearing on 12 September 2023, the Committee had been provided with a transcript of the hearing on 09 March 2023 (pages 1 to 91), and a Service bundle (1) relating to the hearing on 12 and 13 September 2023 (pages 1 to 14).
7. At the outset of the hearing, Ms Terry opened ACCA's case by referring to the report based on the findings of a Senior Compliance Officer at ACCA, Person A. Person A was then called to give evidence. Person A gave evidence throughout the first day of the hearing on 09 March 2023. They were cross-examined extensively by Mr Valand. The Committee found Person A to be a credible and reliable witness. They gave their evidence in a clear and cogent manner. They maintained that their findings were based on the information that had been provided to them and that, subject to one matter which was not material relating to a letter of representation, nothing had been provided to them, or said, by Mr Valand which altered their findings and conclusions.

8. Whilst Mr Valand suggested that he had no recollection of the length of the discussion, the Committee accepted Person A's evidence and found that, at the completion of the review, they held a four-and-a-half hour discussion with Mr Valand. At that discussion, he was given every opportunity to respond to Person A's initial findings and to send him any further information thereafter.
9. Subsequently, on 23 September 2021, Person A sent a letter to Mr Valand setting out his conclusions in relation to their findings. They enclosed a draft report which summarised the relevant facts. A schedule of detailed findings was also attached and Person A told Mr Valand that the schedule of findings should be read in conjunction with the report.
10. The letter concluded by saying that Mr Valand should provide a response by 23 October 2021 and, if he wished to rebut any evidence, he must provide supporting evidence.
11. Mr Valand acknowledged receipt of the letter and report. However, it was not until directions were subsequently issued by a Chair of an Admissions and Licensing Committee that, on 28 December 2022, some 14 months later, Mr Valand provided a response to the report and each of the findings set out in the schedule.
12. In a letter dated 27 January 2023, Person A provided their observations on each submission made by Mr Valand in his response. Person A explained why they maintained the views expressed in their original report.
13. As stated, Person A was cross-examined at length during the hearing by Mr Valand.
14. For his part, having been informed of the choice to be made between making submissions and giving evidence, and the consequences of such a decision, Mr Valand decided to make submissions to the Committee, as opposed to giving evidence. His oral account was therefore not capable of being challenged by Ms Terry. This was a factor the Committee took into consideration when reaching its findings, coupled with the fact that Person A's evidence had been tested in the course of cross-examination.

INTRODUCTION

15. Avin Accountants Limited (“the firm”) is the sole incorporated practice of Mr V Valand FCCA. The firm was reviewed between 26 and 30 July 2021. This was the third monitoring review of Mr Valand. It was carried out in accordance with a decision of the Regulatory Assessor following the unsatisfactory outcome to Mr Valand’s second review on 18-19 June and 13 August 2019 regarding audit work undertaken by his firms, Avin Accountants Limited and Audit Force Limited, respectively. The Committee found that it’s purpose was to review the standard of audit work undertaken at Avin Accountants Limited, following the unsatisfactory review in 2019, to determine whether improvements had been made. It was also to confirm that the firm had complied with the Regulatory Assessor’s decision, Audit Force Limited having relinquished its auditing certificate on 15 July 2021. These proceedings, therefore, relate only to Mr Valand and Avin Accountants Limited.
16. The firm has eight limited company audit clients. Three of the audit files were selected for inspection, Files 1, 2 and 3. Person A concluded, and ACCA maintained, that some serious deficiencies were found in the audit work as set out below.

HISTORY OF MONITORING REVIEWS

FIRST MONITORING REVIEW – 25 JUNE 2015

17. The first monitoring review of the firm took place on 25 June 2015. The Compliance Officer found that the audit work was of a reasonable standard but there were issues in connection with the ethical standards regarding the firm’s independence in respect of fees billed to its largest group of audit clients. On the three files inspected, the Compliance Officer also found some deficiencies in the performance and recording of the audit work. The report on the visit set out these deficiencies and was sent to the firm on 03 August 2015. The firm

acknowledged receipt of the report in an e-mail dated 03 September 2015 and provided a detailed plan describing the remedial action that the firm was taking.

SECOND MONITORING REVIEW – JUNE AND AUGUST 2019

18. The second review was conducted on 18 and 19 June 2019 and on 13 August 2019 in respect of Mr Valand's firms, Avin Accountants and Audit Force Limited. The Compliance Officer found that the standard of Mr Valand's audit work had deteriorated. On the audit files they inspected, serious deficiencies were found in the significant risk and material audit areas such that the audit opinions issued were not adequately supported by the work performed and recorded. ACCA therefore reported the findings of the review to the Regulatory Assessor.
19. On 08 July 2020, the Regulatory Assessor made a decision pursuant to Authorisation Regulations 7(2)(f) and 7(3)(b) that Mr Valand FCCA should be required to:
 - i. Employ an external training firm, as set out in the action plan, to provide hot/cold file reviews on selected files. Mr Valand should provide evidence that this has taken place to the Compliance Officer by 18 October 2020; and
 - ii. Be subject to an accelerated monitoring visit before August 2021 at a cost to the firm of £1,200 and £500 (plus VAT at the prevailing rate) for each additional audit qualified principal; and
 - iii. 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.
20. Mr Valand was notified of the Regulatory Assessor's decision on 15 October 2020. On 19 October 2020, he provided ACCA with the engagement letter of the training company which would carry out hot/cold file reviews. On 18 March

2021, ACCA wrote to Mr Valand to confirm its acceptance of his compliance with clause (i) of the decision.

THIRD MONITORING REVIEW – 26 to 30 JULY 2021

SUMMARY OF FINDINGS OF CURRENT REVIEW

21. At the third review, which was carried out remotely between 26 and 30 July 2021, Person A found that the firm had made little effective improvement to its procedures. On the files inspected, there were serious deficiencies in the performance and recording of the audit work in key audit areas. As a result, on all the files examined, the audit opinion was not adequately supported by the work performed and recorded.

INTERNATIONAL STANDARD ON QUALITY CONTROL 1 (ISQC 1)

22. Although Person A found that the firm had a documented system of quality control policies and procedures in place that appeared to comply with ISQC 1 in most respects, these were not always effective, particularly in the areas of engagement performance and monitoring, in ensuring the firm performed its audit work in accordance with International Standards on Auditing ("ISA").

COMMITTEE'S ANALYSIS AND FINDINGS

DETAILED FINDINGS ON AUDIT WORK

23. The Committee considered carefully the deficiencies found by Person A on their review of audit files 1, 2 and 3 as particularised in the schedule attached to their report dated 23 September 2021. The Committee accepted Person A's evidence, both written and oral, and found that the work undertaken on each file was deficient in the ways alleged. Therefore, in the case of each file, the Committee accepted Person A's assessment that the outcome of the review was unsatisfactory due to multiple deficiencies on each file.

24. In reaching its finding, the Committee had considered carefully the response of Mr Valand in his document dated 28 December 2022 in which, save for a small number of shortcomings, he endeavoured to rebut the deficiencies found by Person A.
25. The Committee found that such denials were unsustainable. In reaching this conclusion, the Committee relied on, and accepted, Person A's report, their written response dated 23 January 2023, and their oral evidence.
26. The Committee took into account the results of the cold file reviews carried out on files 2 and 3 by the firm employed by Mr Valand in accordance with the direction of the Regulatory Assessor following the 2019 monitoring visit. These cold file reviews indicated, in the opinion of the individual undertaking them, that the audits were of an acceptable standard. Person A disputed the results of these reviews, maintaining the deficiencies they had found during the 2021 monitoring visit were serious, adding ACCA did not vet the firms providing such reviews. The Committee noted, unlike hot reviews, the cold file reviews took place after the audits had been signed off and could not be changed. Additionally, the person(s) who had carried out the cold review had not been called to give evidence.
27. A hot review represented a review of an audit before it was signed off and submitted. However, no hot reviews had been undertaken. Mr Valand referred to one company which had provided him and his firm with technical support and which could have undertaken such a review but there would have been a six-month delay which was too long.
28. Whilst the Committee accepted the deficiencies identified by Person A, they confirmed in their oral evidence that they did not consider that the entirety of the deficiencies would have to be established for the outcome of the review to be unsatisfactory. There were a number of material shortcomings which, on their own, would amount to a serious defect. The Committee agreed with this assessment. The following served as examples of the overall deficiencies as particularised in the schedule, but also represented, in the Committee's judgement, significant shortcomings in their own right.

29. Under

"A. Audit documentation, including assembly of the final audit file (ISA 230)"

"General observations

On all files the firm had not adequately documented matters as set out below which were important in providing audit evidence to support the audit opinion and show that it had carried out the audit in accordance with ISAs (ISA 230). The documentation was not sufficient to enable an experienced auditor, having no previous connection with the audit, to understand the nature, timing and extent of the audit procedures performed and the conclusions reached thereon, or any significant professional judgements made in reaching those conclusions."

30. Under

"B. Compliance with ISA 500 – Audit evidence"

"Completeness of income

Files 2-3: The firm had not properly verified the completeness of income. There was no testing from source documentation (Orders-File 2) (Point of sales-File 3) to invoices and the nominal ledger."

31. In his response, Mr Valand referred to various measures which he maintained were sufficient to support his audit opinion. However, in his letter of 27 January 2023, Person A disputed that the response addressed the deficiencies alleged in the schedule. They stated, and the Committee found, that an auditor must properly investigate any differences and obtain corroborative or contradictory evidence. They disputed that a "walkthrough", which was one measure on which Mr Valand relied, would represent a valid test of detail. Also, there was no evidence of testing from point of sales to invoices and the nominal ledger.

32. There was also a reference in respect of file 3 to a material adjustment in turnover but Person A found no evidence of audit procedures to verify the error

by looking at the underlying documentation to confirm the validity and completeness of the adjustment.

33. In their oral evidence, they again stressed the importance of testing the source documentation. They stated that the sample should be selected from the source documentation and traced to invoices. They described what had been presented to them as completely different.

"Validity and completeness of other creditors

Files 1-2: The firm had not recorded details of its review of after date purchase invoices to confirm that there were no unrecorded liabilities."

34. In his response, Mr Valand stated that, on file 1, there were no other creditors but the Committee accepted Person A's evidence that, in saying so, Mr Valand had not demonstrated any corroborative or contradictory audit evidence to support his conclusion. On file 2, there was no supportive evidence of testing of after date purchase invoices to ensure that there were no unrecorded liabilities to creditors. He maintained his view when giving his oral evidence.
35. Furthermore, in Mr Valand's own cold file review, it stated, *"Tested after date payments. This does not necessarily test completeness"*.

"Validity and completeness of provisions

File 2: The financial statements included a substantial increase in a provision resulting from the settlement of a legal claim after the balance date involving the entity and other related parties. However, the firm had not recorded its consideration as to whether the increase in provision represented a change in a prior period accounting estimate resulting from new information or new developments in the current period, or whether this represented an error in the prior period's audited financial statements, taking into account the information which was available, or could reasonably be expected to have been obtained, when the prior period's financial statements were authorised for issue in accordance with section 10 of FRS 102."

36. Person A stated that a provision had increased significantly. Whilst there were certain documents relating to this increase, there was insufficient information to explain it. In his oral evidence, Person A stated that it was a massive increase and there was nothing to indicate whether there was a change in a prior period accounting estimate resulting from new information, or a new development in the current period, or whether this represented an error in the prior period's audited financial statements. There was insufficient information to enable Mr Valand to be satisfied that the additional provision was accurate.

"Recoverability of trade debtors File 3:

The firm had not summarised the work it had performed in support of the recoverability of trade debtors. In addition, the firm had not recorded an effective review of outstanding debtor balances to ensure no provisions for bad and doubtful debts was required."

"Recoverability of other debtors File 2:

The firm had not recorded how it had assessed the impact of Covid-19 on trade debtor balances to show that it had obtained sufficient appropriate evidence that debtors were not impaired in the absence of any bad debt provision at the balance sheet date."

"Recoverability of amounts due from group and connected companies, directors other related parties

Files 1-2-3: The firm had not properly assessed the recoverability of amounts due from group and connected parties, directors and other related parties. In particular, it had not recorded how it had assessed whether the parties had the liquid resources amongst their other ongoing commitments and had obtained corroborative audit evidence to show that they were able to settle their liabilities as they fall due."

37. In respect of the above items, the conclusion reached by Person A, after considering the response provided by Mr Valand, was that he had not addressed the deficiencies outlined in the schedule to the report.

38. In respect of trade debtors, they stated that the firm had not recorded an effective review of outstanding debtor balances to ensure that no provisions for bad and doubtful debts were required.
39. As for amounts due from group and connected companies, again, there were no adequate audit procedures to assess recoverability.
40. Turning to other debtors, again there were no adequate audit procedures to assess the impact of Covid-19 in order to obtain appropriate evidence of debtors' ability to pay. The evidence amounted to conversations with a director without obtaining corroborative or contradictory audit evidence to back up what was being said.
41. In the course of his oral evidence, Person A stressed the importance of a healthy level of "*scepticism*" of the evidence that was provided as required by ISA 200.
42. Person A also stated that there was a lack of evidence which was "*sufficient*" and "*appropriate*" which they stated, and the Committee found, was vital in the course of an audit. They described both words in the following way, as set out in ISA 200 and 500, "*The definition of sufficiency, it is the measure of the quantity of the audit evidence, and the appropriateness is the measure of the quality of audit evidence, so that needs to be fore and foremost important in terms of audit evidence on the file.*"
43. The Committee also accepted that there was a need for "*corroborative and contradictory*" evidence, and that this was key for a proper audit. Both words are defined in ISA 500.
44. Mr Valand accepted that there were occasions when some task or item was represented as having been done or present by means of a member of his team ticking a box. The Committee found that, when Mr Valand was reviewing the work in an audit, it was not sufficient simply to accept that that tick, representing some sort of assurance from the member of his team who was conducting the work, was sufficient evidence. In the course of his review, Mr Valand had to satisfy himself that the assertion of completion was supported by proper

evidence. Again, he had to approach his review with a level of scepticism and look for the supporting evidence which was both sufficient and appropriate. The Committee was satisfied that Mr Valand and his firm had breached the requirements of ISA 230 in failing to document audit procedures performed and audit evidence obtained, and this represented a lack of professional judgement in producing sufficient evidence to support his conclusions as auditor.

BREACHES OF THE GLOBAL PRACTISING REGULATIONS

45. On the balance of probabilities, the Committee found that Mr Valand and the firm have breached PR 13(1) in that they failed to comply with the International Standards on Auditing ("ISA") in the conduct of audit work. There were deficiencies in the planning, control and recording of audit work, and in all of the three cases examined, the audit opinions were not adequately supported by the work performed and recorded. Indeed, in accepting the findings of Person A, the Committee found that Mr Valand and his firm had failed to meet the requirements of multiple ISAs.
46. The Committee heard submissions from Ms Terry on behalf of ACCA. Ms Terry referred to Authorisation Regulations 5(2)(f) and submitted that Mr Valand and his firm were guilty of material breaches of the International Standards on Auditing. She invited the Committee to make an order withdrawing Mr Valand's and the firm's audit certificate and to require Mr Valand to undertake a test of competence prior to making any application for a new certificate.
47. The Committee then heard submissions from Mr Valand. He had accepted in the course of his submissions that he and his firm had made errors and that, *"the files did not reflect all the evidence"*. He stated that the impact of Covid-19 had caused much difficulty. However, the Committee noted that the second monitoring visit, which also led to an unsatisfactory outcome, pre-dated the pandemic. Furthermore, the Committee considered that the fact that certain members of staff may have been ill or not available due to family responsibilities would not have been unique to Mr Valand and his firm and did not represent an acceptable explanation for the deficiencies in the firm's audit work.

48. It was also of concern to the Committee that, despite the unsatisfactory outcome of the second monitoring visit, and the significant adverse findings of Person A in his report following the third monitoring visit, Mr Valand did not appear to accept or recognise the shortcomings identified. Furthermore, the Committee was concerned that no proper explanation had been provided for the delay of 14 months before Mr Valand provided his response on 28 December 2022.
49. The Committee noted Mr Valand's submission that his audit work accounted for approximately 30% of the firm's revenue. It also took into consideration the comment made by Person A in his oral evidence, of Mr Valand, that, *"I'm not questioning your integrity or your staff integrity – all I'm saying is that you have to make sure that you comply with the auditing standards. You have to make sure you obtain sufficient, appropriate evidence."*

SUMMARY OF FACTS

50. In summary, ACCA submitted, and the Committee found, as follows:
- i. Mr Valand has had three monitoring reviews;
 - ii. The second and third reviews had unsatisfactory outcomes;
 - iii. There were serious concerns about Mr Valand's ability to maintain a satisfactory standard of audit work despite the advice and warnings given at the previous reviews.
51. The Committee considered that the deficiencies identified by Person A in July 2021 concerned basic and fundamental aspects of audit work. The Committee was concerned that Mr Valand had not improved the standard of his audit work since the second monitoring visit. The Committee had taken account of the guidance to be found at paragraphs 9.4 and 9.5 of the Regulatory Board Policy Statement.

52. The Committee had regard also 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 Valand 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 Valand had demonstrated adequate competence to carry out audit work. Whilst Mr Valand had proposed that all future audit work would be the subject of hot reviews, the Guidance recommended that, following two unsatisfactory monitoring reviews, the offer of future measures being implemented should not be taken into consideration.
53. In the circumstances, the Committee found that Mr Valand 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 cases examined, the audit opinion was not adequately supported by the work performed and recorded.
54. For all of the above reasons, the Committee was satisfied that Mr Valand and his firm had committed material breaches of Global Practising Regulations. Consequently, under AR (5)(2)(f), it was necessary and proportionate to make the following orders.

ORDER

55. The Committee made the following order pursuant to Authorisation Regulations 6(16)(a)(ii) and 5(2)(f) that:
- i Mr Valand's practising certificate with audit qualification and the firm's auditing certificate be withdrawn and they should be issued with a practising certificate; and
 - ii Any future re-application for audit registration by Mr Valand, 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 Valand has provided an action plan, which ACCA regards as satisfactory,

setting out how Mr Valand 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

56. The Committee heard submissions from Ms Terry on behalf of ACCA and Mr Valand. 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 Valand's interests and therefore made no order restricting publicity.

EFFECTIVE DATE

57. In accordance with the guidance at PS13.1, and on the application of ACCA, the Committee was satisfied that, in respect of the order to withdraw Mr Valand's PC with audit qualification, and in order to comply with the rules, it was necessary and in the public interest for the Order to take immediate effect. The Committee had heard submissions from Ms Terry and Mr Valand. In the case of Mr Valand, he indicated that there were certain audits which were on the point of being finalised and signed. Taking account of the Committee's findings, it was concerned that it had no reassurance as to the quality of the audit work on these files which added to the Committee's concerns regarding the protection of the public and the need, therefore, for the order to take immediate effect.

Mr Neil Dalton
Chair
13 September 2023